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How the Stock Market Should Act During the Remainder of the War

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THERE are several ways of risking one's reputation. One is to attempt prophecy.

Nevertheless, I will present certain features in the outlook as they appear to me, with the understanding that my readers will make due allowance for the fact that neither I nor any one else can actually know what will develop even a few minutes from now.

As I have remarked in previous articles, there are two kinds of news—known and unknown. When a certain event is recorded in the newspapers, the world knows it. But if only a handful of Government officials are aware of the facts, it cannot be considered under the head of "known news." What we have to regard, therefore, is the facts as we know them, and from these facts we must deduce, as nearly as we can, the course of events.

We know that Europe is at war, that Germany has conquered Belgium, and is operating in France and Russia. We know that Germany and Austria are surrounded by their enemies and that new enemies are in the making.

We know that while Great Britain controls the seas, her control is not yet secure. We know that while the newspapers report numerous engagements,

the decisive battles are still to come. We know that Germany's submarines are proving very effective—that her Zeppelins have already "arrived"; that her 42 centimeter guns have demolished supposedly impregnable fortresses. But up to this time, no one nation or side may be said to have conquered.

The other factors are unknown. How long will the war last? What will it cost? How can the tremendous expense be financed? Who will prove the ultimate victor? How will the map of Europe look when it is all over? What will be the outcome from a financial and commercial standpoint?

At present, judging from the action of the stock market, no one in the world knows these things. But they will become "known news" to the great financial interests before they are known to the rank and file, and it is to the market that we must look for the first evidence of the trend of events.

Success of the Allies has been interpreted by the market of the past six months as a bull argument, mainly for the reason that should their advantage become permanent, financial and commercial affairs will, after the war is over, be likely to proceed much as before. On the other hand, should Germany and Austria

prove victorious, a complete readjustment will be inevitable. For it might mean the passing of England as the world's greatest power.

The European situation now dominates the business and financial world. But the destruction of a fleet, the defeat of an army, the changing of a map, does not in itself put the prices of stocks down; nor do any number of opinions, expressed in writing or in conversation, have any effect upon market prices, except insofar as they influence people to buy or sell. Batter down or burn the city of London, and if no one sells stocks the market certainly will not break; but all these things have their effect on the minds of men, inducing them to sell or buy as the case may be.

There are three kinds of selling that will readily occur to us: (1) Short selling. (2) Frightened selling. (3) Forced selling.

Short selling on a large scale is being made extremely difficult. If any one crowd of operators were to undertake to sell short 50,000 or 100,000 shares of a stock, they would be obliged to borrow it for delivery. This would lead to an inquiry by the Governing Committee, and it is probable that those concerned, if within the reach of the Stock Exchange authorities, would be punished for "acts detrimental." For this reason it is not likely that any important campaigns will be undertaken on the short side in the New York market, and as the London Stock Exchange has established even more stringent rules, we need have no fear of bear raiding from that quarter.

Liquidation through fear, that is, frightened selling, may appear at any time. In today's paper we read that Germany has already begun the raiding of England, and even Englishmen believe that further attacks are imminent. Should these attacks be successful, there is no telling to what extent panic would seize the English people.

Then we must consider the forced liquidation which is undoubtedly going on at the present time through various channels. Business conditions in this country under the surface are worse

than the actual reports of insolvencies would lead us to believe. I know of one business man who has recently attended thirty-three different creditors' meetings, in which numerous firms (many of them of long established business and high reputation) have asked from their creditors an extension of one or two years. None of these cases have appeared in the newspapers.

There must be thousands of such instances throughout the country. This in turn reacts upon thousands of investors and it is not to be questioned that a slow but persistent liquidation is still going on, the stocks coming from people who not only need the money, but must have it at any sacrifice.

Now let us see what will induce purchases. First, there is a large accumulation of money in this country, and our new currency bill has greatly increased the potential supply. Three things are necessary to encourage buying: the necessary capital; cash or credit facilities, and confidence. And while we collectively may have plenty of cash and a moderate supply of capital, as individuals we lack confidence to a very marked degree. As a people we have little confidence in the majority of our politicians. There are signs of a reaction in political and official circles, and the President says that business will be harassed no longer, but we desire to see these things proved.

A certain amount of confidence is generated by all this talk of America's dominating the world's trade, and by the enormous business we are now doing with European countries; but it is one thing to capture a competitor's business while he is engaged in punching the head of his neighbor, and another to hold it when he returns to commercial fields. It is also to be remembered that while we are supplying a vast amount of war material to Europe, this particular kind of business will cease as soon as the war ends. Our commercial hopes may not be fulfilled.

Under these conditions, the possibility of sudden frightened selling, combined with persistent forced liquidation, is likely to keep the market from running away on the bull side until we

at least can form some definite conclusion as to when the war will terminate.

Meanwhile, our minimum prices will act as a check against demoralized declines.

It is interesting, therefore, to regard the situation from the standpoint of the large interests whose operations in stocks contribute more than anything else toward the establishing of turning points in the great swings in prices which sometimes run for two or three years in one direction.

These interests always take a long look ahead. As they see the situation which will probably prevail in 1916 and 1917, this is an opportunity to buy stocks. Every past depression has been followed by a boom, and there is every reason to believe that the rule will work out in this instance.

Many large capitalists look upon the tariff as more demoralizing to American industries than the European war, and the biggest of them hope, for the sake of the industries that they represent, that 1916 will see the Democrats turned out of office and the high tariff restored. In saying this I am expressing not my own political views, but the views of others as I hear them. Were there no prospects of this change in administration, it is not likely that Steel common would be selling above 50, as a 2 per cent. dividend payer.

Our largest capitalists undoubtedly bought stocks from July to October, and the bulk of the transactions were never reported to the public. We do not for a moment assume that they are loaded up, but that they have a very considerable long line is almost beyond dispute. Having secured this position, they now assume a trading attitude, which will reduce the cost of their original holdings.

Naturally, accumulation is greatest in the stocks in which these large operators conduct their most important campaigns. I have reason to think that

the Rockefellers welcomed the opportunity to repurchase their St. Paul in the 80's, as well as their other favorites at recent low figures, because they expect within a few years to re-sell these at a very handsome profit. But it is not likely that they will assist materially in the establishing of any bull market of great proportions, because there has not yet come into view, or at least within striking distance, the particular situation which will induce the public to buy stocks.

Meanwhile, we shall probably witness sharp advances in stocks of certain companies which, in exception to the general rule, are showing good earnings owing to unusual conditions affecting them. But we may anticipate a rather spotty market, with the unexpected likely to upset calculations occasionally.

Barring a sharp decline which might come as a result of surprises in the European situation, the next important move should be the discounting of the end of the war. The first inkling of this should come either through a decisive defeat, or through diplomatic channels where peace prospects first become known, in which case a few foreign Government officials would have the advantage of us all. It is possible that the advance which began about the middle of the month may have some such origin, but as I write, it seems more like a reflection of the improved monetary and foreign trade situation.

In our September, 1914, number, I gave a number of reasons why it was time to buy stocks. Taking a broad view, and regarding the market as still in its low levels, these reasons still hold good, although prices are higher. They will apply all the more strongly should stocks take another plunge downward.

Bull markets are planted in panics and take root in times of depression.

MONEY, BANKING AND BUSINESS

THE condition of the money market shows very plainly the timidity of capitalists and investors. Call money has loaned as low as $1\frac{3}{4}$ per cent. and commercial paper of the highest quality at $3\frac{3}{4}$ per cent.; yet the best bonds are selling near a 5 per cent. basis, and many good stocks are on a basis of 6 per cent. or even higher. As for capital to be used in new enterprises, it can hardly be obtained on any reasonable terms. These rates indicate more clearly than words that there is a superabundance of money for immediate use, but a lack of confidence that prevents this money from flowing into securities except very slowly and at rates of interest which would ordinarily be considered very attractive.

The big trade balance in our favor for the month of December shows the increasing extent to which Europe is being forced to call on us for goods. That this balance will keep on growing seems scarcely to admit of doubt. Such a situation soon generates a strong pulling power on foreign gold. Already \$10,000,000 has come to us from Japan since Oct. 1, and quite recently \$3,000,000 has been imported from China and small amounts from Canada.

This is a gratifying reversal of the tremendous outward movement of gold which marked the year 1914, and taken together with the great release of cash reserves resulting from the establishment of the Federal Reserve system, assures easy money rates for the future.

Under ordinary conditions such a state of the money market would bring a rising market for stocks and bonds. In the present wholly extraordinary situation resulting from the war the usual effect of easy money must be very much modified, but we do not believe that it will be entirely counterbalanced. There never has been a time in the history of this country when low money rates did not at least serve to prevent any severe decline in the stock market. Their effect in creating a rise may be very slow, or it may be long delayed, but eventually it has always come.

A feature well worthy of notice is the advance in the level of commodity prices, Bradstreet's Index having risen from 8.86 in November to 9.14 Jan. 1, 1915. It seems clear that this marks a turn. From 8.62 June 1, 1914, there was a tremendous speculative war rise to 9.85 Aug. 15; then a decline almost equal to the advance, to 8.86 Nov. 1.

The present advance is not speculative, but of a more solid and enduring character.

This means, of course, a higher cost of living, but it means also that business men having stocks of goods on hand are beginning to see daylight. History shows that with commercial paper as low as it is now, and with rising commodity prices, business conditions have always improved. The war may make the improvement slow, and it will undoubtedly make it "spotty"—affecting certain lines to the exclusion of others; but the war, great as it is, will not entirely disrupt American economic conditions at this time. The period of panic is over. Business in 1915 will be chiefly affected by facts, not fears. General economic laws will assert themselves, though doubtless somewhat modified by European conditions.

The sharp increase in the unfilled orders of the U. S. Steel Corporation, as shown in our page "Essential Statistics," though in part due to special conditions, nevertheless shows a turn for the better. It would not be surprising if a part of this gain should be lost in January or February, during the winter dullness, but we believe the general tendency of the steel business in 1915 will be upward.

It is, in fact, easily possible to exaggerate the present dullness of business. Bank clearings outside New York City, which are the best index of the activity of general business, were larger for December than for any previous December with the exceptions of 1913 and 1912. This shows dullness, as the clearings should naturally grow from year to year, but it does not show acute depression. Our discouragement is in part "psychological."

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commer- cial Paper New York.	Average Money Rate European Banks.	Per Cent. Cash to Deposits, New York Clearing- house Banks.	Per Cent. Loans to Deposits, New York Clearing- house Banks.	Bradst's Index of Commod- ity Pcs.	English Index of Commod- ity Pcs.
January, 1915.....	3½	5	18.2*	101.2*	9.14	2,800
December, 1914.....	4½	5½	19.2*	103.2*	9.03	2,760
November, 1914.....	5½	5½	25.5	100.7	8.86	2,732
January, 1914.....	4½	4½	27.1	98.0	8.88	2,623
" 1913.....	5	5	26.3	99.1	9.49	2,747
" 1912.....	4	4½	27.2	96.7	8.95	2,581
" 1911.....	4½	4½	28.3	99.7	8.83	2,513

*Affected by new Federal Reserve system.

	New Securi- ties Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City (000 omitted)	Balance of Gold Movements —Imports or Exports (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
December, 1914.....	\$12,437	\$12,644,578	\$6,114,902	Im. \$3,979	Ex. \$131,863
November, 1914.....	68,853	11,081,716	5,682,274	Ex. 7,134	Ex. 79,299
December, 1913.....	87,322	14,701,217	6,701,218	Ex. 5,499	Ex. 49,170
" 1912.....	159,488	15,361,124	6,552,402	Im. 10,740	Ex. 96,220
" 1911.....	66,855	14,225,492	6,113,680	Im. 3,712	Ex. 84,232
" 1910.....	45,291	13,963,284	5,938,479	Im. 3,646	Ex. 91,892

	Money in Circulation Per Capita First of Month.	Whole- sale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Produc- tion of Cop- per (lbs.) (Millions.)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
January, 1915.....	\$35.50	\$12.40	.....	13.6	Reports	.....
December, 1914.....	36.40	12.50	1,516	12.9	discon- tinued.	3,836
November, 1914.....	37.31	12.90	1,518	11.7	.....	3,324
January, 1914.....	35.11	13.88	.....	14.2	Associa- tion dis- banded.	4,613
" 1913.....	34.72	16.95	1,983*	16.5	.....	7,827
" 1912.....	34.47	13.25	2,782*	14.1	.....	5,379
" 1911.....	34.25	14.25	2,043*	12.3	.....	3,111

* December. † Last day of mo.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions. Winter Wheat.	Babson's Bond Average.
January, 1915.....	Not re- ported.	.....	.....	....	88.2
December, 1914.....	.....	.....	\$34,822,515	88.3	87.9
November, 1914.....	170,096	\$21,749,227	25,182,881	....	....
January, 1914.....	214,889	.....	.....	....	92.5
" 1913.....	28,439	43,803,314*	34,925,324*	97.2*	96.0
" 1912.....	90,285	46,822,122*	17,903,506*	93.2*	97.9
" 1911.....	119,820	33,609,940*	18,685,429*	86.6*	98.6

* December.

What Thinking Men Are Saying About Financial, Investment and Business Conditions

Beginning of Gold Imports.

AFTER a year in which gold exports exceeded all past records, the turning of the scale this month has naturally been hailed with relief. Some two millions of gold are now engaged or on the way from China, and nearly one million has come across the border from Canada at this writing. It is to be expected that Europe will cling to its gold, but with the exchange rate below the natural gold import point there will be some flow of the yellow metal to our shores in spite of that. The low exchange rate emphasizes the strength of our foreign trade position. A number of the country's leading bankers have recently commented on these features:

John J. Mitchell, president of the Illinois Trust and Savings Bank: Foreign exchange at the point where gold can be imported if our bankers want to bring it here, to me is one of the strongest arguments of a better condition. This condition of the exchange market shows that the floating indebtedness of the United States in Europe, which brought on the greatest amount of our troubles after the war was declared, has been liquidated, and that there need be no more fear on that score.

National City Bank, New York: Money is becoming very easy in the centers, and the situation is relaxing in the country, as shown by the steady retirement of Aldrich-Vreeland currency, and the reduction of the discount rates of the Federal Reserve banks. Reports from the grain states where the farmers are in a most commanding position, show that bank deposits have only lately begun to rise, indicating that the crop has moved slowly. The main stimulus from the prosperity of this region therefore is yet to be felt.

Capital is accumulating and there is a good investment market for high class securities. Undoubtedly the country has large purchasing power in reserve.

Many of the fundamental conditions are working into a state favorable to an industrial revival. Contractors and manufacturers in all lines of construction materials are making the lowest prices known in years. Labor if not cheaper per hour is cheaper in results, for a choice can be made. In the private business field, with

individuals or corporations who are able to go ahead with their plans without resorting to the security markets, these conditions always make a strong appeal.

Over against these encouraging conditions there looms up the European situation. No calculations for the future can be made without regard for the influence of the war, and as there is no knowing how long the war will last, large undertakings, which involve public financing, and commitments for the future, are not likely to be begun. Moreover, it will have to be an exceptionally promising new enterprise that can make a stronger appeal to capital than the old and seasoned securities and government bonds that for a long time will be available on unusual terms. This is the underlying weakness of the industrial situation.

James B. Forgan, president The First National Bank of Chicago: Business is fundamentally sound and the outlook is good for an increased volume. But for the conditions in Europe where a large amount of our securities are held, there is nothing in sight but improvement in business. The enormous cost of the war which must be financed cannot but have an injurious effect on the market value of all securities, resulting in higher rates for money for both investment and commercial purposes.

Bankers should continue to conserve their resources until the ultimate effect of the conflict on American securities is fully realized. Nothing could be more unsound than to attempt to boom domestic business by undue expansion of credit until we find out what may be required of us in caring for our foreign indebtedness and for our securities which may be thrown on our home market. I do not mean by this that we should not proceed with business in a normal way and take advantage of our opportunities as they arise. It will, however, be prudent on the part of the banks to conserve their strength and to husband their resources under the present world-wide condition.

Festus J. Wade, president Mercantile Trust Company, St. Louis: I firmly believe that we have touched the bottom of depression in this country, and that all good stocks and bonds and all staple commodities have reached the new level. While I am not looking for any rapid rise in prices, nor anything approaching a boom, I do believe, with the dawn of the New Year, we will have vastly improved conditions throughout the United States.

J. Howard Ardrey, member of the Federal Advisory Council from the Dallas district: Business conditions for the moment are unfavorable and trade is dull. Merchants are not carrying large stocks, and collections have been, and are, very slow. Trade will not revive until the prospects for the new crops, both as to yield and price, have been more definitely determined.

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**Why England Does
Not Sell Our Stocks.**

FOREIGN orders for American goods are estimated at a total over a quarter of a billion dollars, with a prospect that they will increase in 1915 rather than decrease. Only a part of this merchandise has yet gone forward. As the remainder goes out, the balance of trade will be thrown still further in our favor. But Europe may, instead of sending us gold, pay for its goods in the form of American securities sold back to us. So far it has done this only to a very moderate extent. Out of a total of about \$600,000,000 of stocks listed on the New York Stock Exchange estimated as owned in Europe, only a few millions can yet be traced as having been returned to us.

Theodore Price, in *The Outlook*, explains very clearly why Englishmen have not sold their American securities:

It will perhaps be clearer that the payment of the war's expenses will not compel the sale of European investments in the securities of countries overseas, if we take a concrete illustration.

Let us assume that an Englishman owning a million dollars in bonds of some American railway that pays five per cent. desires from motives of patriotism or gain to lend his government a like sum at four per cent., which is the basis upon which the great British loan has just been brought out.

He can, of course, sell his American bonds at a probable loss and reinvest the proceeds in the obligations of his government; but this is quite unnecessary.

Two other courses are open to him:

1. He can hypothecate the bonds with some English bank against a loan or credit of, say, \$800,000, upon which he would pay at present not over three per cent., and with the proceeds, plus \$200,000 to be borrowed upon \$300,000 of his government's bonds to be acquired, he could pay for the \$1,000,000 of the British debt that he desired to buy. Or,

2. He could, under the arrangement that the British government has made with the Bank of England, borrow from that bank the entire cost of the British bond acquired,

at a rate of interest which is now four per cent., and which is guaranteed not to exceed the "bank rate" less one per cent. for the next three years, during which time the loan may continue.

That self-interest will lead him to keep his American bonds is plain when we consider the financial results of each of the three lines of action possible.

(a) If he sold his American bonds on a five per cent. basis and bought the English bonds on a four per cent. basis, it is plain that he would be sacrificing an income of \$50,000 a year for one of \$40,000. He would hardly do that.

(b) If he borrowed \$1,000,000 at three per cent. on the combined security of \$1,000,000 American bonds and \$300,000 British government securities, he would pay in interest annually \$30,000. He would receive in income on \$1,000,000 American bonds \$50,000, and on \$1,000,000 British securities \$40,000, a total of \$90,000. This would leave him a net income of \$60,000 and the physical possession of \$700,000 of the British securities. Or,

(c) If he borrowed from the Bank of England at four per cent. the entire cost of the \$1,000,000 government securities purchased, he would pay in interest exactly the amount received from the government, his income would be unaffected, he would retain possession of his American bonds, and he would be able to profit by the advance in British securities which all Englishmen expect will occur when the war ends.

It is not hard to believe that under these circumstances our Englishman would choose to keep his American investments and help his government also; and, as a matter of fact, this is what most foreign investors are doing.

* * *

**Exchange Dealings
Still Restricted.**

THE London Stock Exchange cannot be said to be wide open yet, but it is at least open a crack. The regulations under which it is now operating are summarized as follows:

Dealings except for cash will be prohibited.

The present minimum price lists are to be maintained and extended to all transactions recorded.

A broker at the time of selling securities must show that he possesses or controls them.

No dealings in new issues will be allowed unless approved by the treasury.

No member will be allowed to bid for or offer stock openly in the market.

No member will be permitted to negotiate the purchase or sale of shares dealt in on the American market "at a less price than the English equivalent of the New York closing price of the 30th of July."

Only British born or naturalized members and clerks will be admitted to the exchange.

In the meantime, our own Stock Exchange has found it necessary to explain its position in regard to minimum prices:

Owing to the uncertain position incident to the war, and the abnormal condition of the foreign markets, it has been deemed wise to guard against a sudden demoralization of prices that might come with some unlooked-for news. Minimum prices furnish this safeguard by arresting a panicky decline automatically.

It is not the intention, however, that minimum prices should be used to valorize or sustain the market at any arbitrary level, as such a procedure would lead to the establishment of an unregulated outside market if the natural trend were ignored. It is, therefore, the object of the committee to keep minimum prices as far as possible in conformity with supply and demand while at the same time using them as a check against unforeseen panic.

* * *

Should the Government Regulate the Exchange?

YES, said Samuel Untermyer to the American Economic Association. After repeating his charges of manipulation and his objections to short-selling, he continued:

I believe that except for the blunders of remaining open for two days in July after the world's other exchanges had closed their doors and of still permitting the evils of short selling and manipulation, our Exchange has on the whole met the exceptional conditions arising out of the war with wisdom and conservatism. True, it has assumed powers over the property and destinies of the millions of security holders of the country that are not tolerated by any other body on earth, public or private, and that seem incredible, but that arrogation of power is due to the absence of the governmental regulation to which the Exchange should be subjected.

The fact that the Exchange is physically able, without outside assistance, to inaugurate and enforce such far-reaching regulations affecting the tens of millions of individual security holders and all the great corporations throughout the country, and that there is now no legal restraint upon its action, is the most eloquent argument in favor of the necessity for public regulation.

W. C. Van Antwerp, a governor of the Exchange, denied that manipulation is now practiced and asserted that the Exchange is regulating itself more effec-

tively than the Government could regulate it:

All that government can do, in or out of the Stock Exchange, is to secure an ideal measure of liberty and of equal opportunity for all men, leaving the individual to work out his own salvation.

But the Stock Exchange itself can do much more than this, and it has done it. It has attempted to put an end to unwise and unsafe speculation by its resolution of prohibiting its members from transacting business on insufficient margin, and it has appointed a committee on business conduct, empowered to see that this rule is obeyed. Despite the fears of my opponent, it has put an end to manipulation through its resolution of February 5, 1913, and here, too a standing committee with large powers enforces that law, while the full board of governors determines what punishment shall follow its violation.

Perhaps these and other restrictive measures may prove as time passes to be insufficient. In that case I think we may be trusted to go further. In any case you will find, I am sure, as you delve into our affairs, that the governors of the Exchange and almost all its members, are men as deeply imbued with a potent spirit of honor and fair dealing as are the men who make the country's laws.



THE TABLES TURNED.

Doctors Telephone, Telegraph and Railroad point out the necessity of operating on Mr. Post Office.
—From Concerning Municipal Ownership.

Federal Banks Reduce Rates.

SO far the Federal Reserve Board has kept its discount rates a little above the outside money market, doubtless from a desire to make a cautious start under the present exceptional conditions. The lowest rate named to date has been 4 per cent. at San Francisco on maturities up to thirty days.

David R. Forgan's opinion as to the effect of the new banking system is, of course, well worth noting:

I do not think the new banking system will affect the improvement in business generally. It ought to affect the money market to the extent of steadying rates, and preventing panics and suspensions in future; but its influence on general business, while in the right direction, is only indirect. I do not expect the rediscount features of the new system to become dominant for a long time to come. For many years it has been considered more or less of a reflection for a bank to show rediscounts, and while this is unwarranted, it is going to take time to change a deep-rooted prejudice against rediscounting, and make that kind of business fashionable.

Investment Demand Shows Improvement.

IT is still true that large investors—those having a million or more lying idle—are confining most of their purchases to short-term securities, with only a sprinkling of long-term bonds or investment stocks that are specially attractive. The Chicago National City Bank, however, does not hesitate to say that long-term bonds should now be bought:

There is no reason why high-grade investment securities at present prices should not prove highly attractive to American buyers. The new security offerings of the next three months will probably be negotiated at terms which will show the highest income yield obtainable since the panic period of eight years ago. A great deal has happened since then to make these investments more attractive and to protect the shareholding classes. Instead of restricting their purchases to securities representing only temporary financing, as many investors have done for a year past, they ought now to consider the merits of long-term bonds put out by well financed corporations of good earning power. There are many such securities in the market today, which, with high-grade municipal bonds, offer absolute safety of principal and a generous interest return for the investor.



BETTER LATE THAN NEVER.

—Brooklyn Eagle.

The *Odd Lot Review*, on the other hand, cogently presents the side of investment stocks:

Stocks as well as bonds are investments, and some students believe that at present good stocks are better than many bonds. It is not at all illogical to expect a rise in standard stocks with well secured dividends coincident with a stagnant or even sagging bond market. This situation would be the natural result of investment as now practiced.

Investment in the present market is steady and in the aggregate heavy. The floating supply of investment stocks is being rapidly reduced. When the speculator follows the investor, as we believe he will, investment stocks should continue to rise and other issues join in the movement.

Many Business Men Are Optimistic.

THE average business man is likely to judge general prospects by the condition of his own business. That is one of the principal reasons why there is so much variety in the opinions expressed. Mr. Schwab, for example, with Bethlehem Steel plants running at nearly full capacity, feels decidedly cheerful:

For three years past until quite recently I have not been optimistic regarding busi-



PRESENT BUSINESS CONDITIONS AS REPORTED TO THE NATIONAL CHAMBER OF COMMERCE.

ness in the United States, but recent events have caused me to change my opinion.

I base my prediction of the return of prosperity partly on the fact that foreign governments have placed orders in this country for upwards of \$300,000,000 worth of goods, which is a very fair start. These goods will have to be delivered within the next year.

Our crops are immense while other countries are starving, and the tide of orders which will come to the United States as a result of the present European war has only but begun.

On the other hand, President Loree, of the Delaware & Hudson, feels blue over the railroad situation, in spite of the rate increase:

I think the dominating influence in railway affairs in the coming year, as in the immediate past, will be political; that the year 1915 will be a bad one, and that the trend of gross and net earnings will be downward.

Notwithstanding the economies of the past eight or ten months, the railroads can go through 1915 without any substantial increases in purchases of equipment, rails and supplies during that year.

President Johnson, of the Norfolk & Western, takes a well-balanced view:

I hope we have reached the bottom of business depression, and may look forward with reasonable degree of certainty to an increase in business within the next six months.

As compared with the present, I expect 1915 to be a fairly good year, from the railroad viewpoint.

I expect the trend of gross earnings to be on the increase over the present. The trend of net earnings will depend upon the expenditures.

The enforced economies of the past should cause some increased purchases of rails, equipment and supplies in the future.

A Good Basis for Renewed Prosperity.

CROP values for 1914 are estimated by the Government at \$83,000,000 more than 1913 and 41,263,000 acres have been sown to winter wheat for 1915, or 4,135,000 more acres than in 1914. U. S. Steel's unfilled orders made a good recovery during December and are now the highest for four months. Steel men believe that the corner has been turned, though it would not be unnatural if orders should decline again somewhat during the winter dullness. The railroads are placing more orders.

On the other hand, Dun figures commercial failures for 1914 at \$354,068,000, against \$272,672,000 in 1913, and it is entirely probable that failures will continue large at least throughout the winter. Over 500,000 men are said to be out of work or on part time in New York City and unemployment throughout the country is large.

A leading investment house summarizes the situation as follows:

The country enters on the new year with business, except in those lines directly affected by war orders, in a state of severe depression. There is a good deal of talk of great industrial activity in the near future, but it is noticeable that this talk is mostly by men whose companies have secured big war orders.

That there should be some slight improvement from the present stagnation, now that financial problems have been solved and the railroads have received some encouragement, is altogether probable, but that there should be any near approach, even to normal business, let alone anything resembling a boom, while ten million men are fighting each other and destroying capital at the rate of \$40,000,000 to \$50,000,000 a day, is incredible.

On the other hand, the fact that business men have promptly recognized and met the new conditions, as in the case of the producers of copper, by cutting down outputs to meet new requirements, means that the producers of metals and goods in general are in a position to benefit immediately by any decided improvement.

Such an improvement, we believe, may be looked for as soon as there are definite indications of the end of the war.

The country has come through a year of trial and tribulation in remarkably good shape. Though business may continue dull for a time, the worst is behind us and a year from today should find business rapidly picking up and everyone in a much more cheerful frame of mind.

Rogers, Brown & Co. thus review iron and steel:

The steel industry as a whole was running at from 35 to 40 per cent. of maximum capacity on December 15, and increased its rate of operation materially during the final week before Christmas, an unusual state of affairs. The resumption early in January promises to be on the basis of about 50 per cent. of maximum. Buying for forward delivery in all finished forms has been heavier during December by 20 per cent. than during the previous month. Rail inquiries pending from three important lines call for over half a million tons.

The era of prosperity, delayed by the outbreak of war for three or four months, is about to be ushered in for the benefit of this country and its people, who were never better prepared to make prosperity a permanent condition.

Effects of the Rate Decision.

THE long delayed decision of the Interstate Commerce Commission in the Eastern rate case has given the roads an addition of about \$25,000,000 to their income, according to the estimates of Daniel Willard and other leading railroad men. This is in addition to about \$18,000,000 advance granted in the previous decision.

The immediate result was the release of many orders for new equipment badly needed by various roads—in fact, this was one of the principal reasons for the increase in the U. S. Steel Corporation's orders in December. Railroad men say, of course, that more is needed, and it is believed that the Commission may permit the Western roads to make a similar increase.

Among varying views as to the effect of the decision, the following have been selected as typical:

Thomas F. Woodlock: Unless the war ends in the early part of the year, 1915 will be a very poor year, from the railway viewpoint. Gross earnings will shrink, but the adoption of "bare-poles" policy of operation will probably prevent net earnings from decreasing proportionately.

The strong companies can probably continue to "borrow from property" throughout the year, without being obliged to make large purchases of material. It is not likely that there will be any large or general purchasing movement until there are signs of increasing gross earnings.

Investors will not supply new capital except upon terms satisfactory to themselves, no matter what the courts may decide to be "values" or "fair rates of return," and

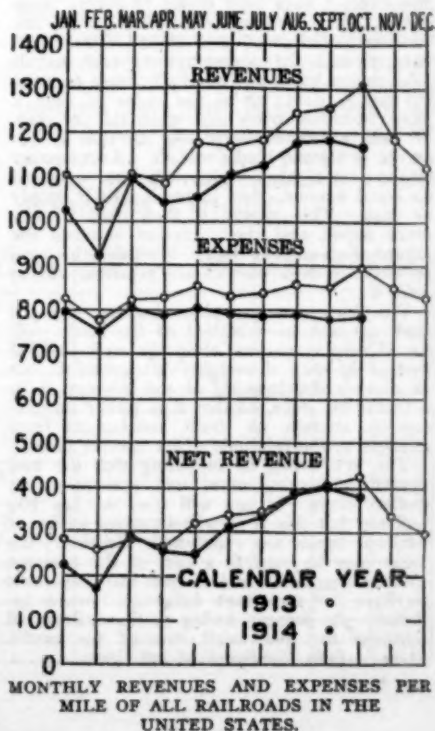
consequently carriers must be allowed to earn such a rate of profit as will induce investment of new capital. The regulatory body must recognize this fact as ultimately controlling, or the system of private enterprise will break down. The importance of the "5 per cent. case" is in the fact that the Commission has finally accepted this principle.

Byron Holt: We hold that general prosperity cannot be superinduced by taking \$50,000,000 or \$100,000,000 from shippers and consumers and giving a similar amount to the railroads. The railroads depend, in part, upon general prosperity.

Besides we do not expect the railroads to be able to hold, for but a brief period, the benefits of their long-fought-for rate advances. Their employees will promptly claim, and will probably soon get, the lion's share of the increase. The employees of western roads already have their eyes on the prospective advance in rates.

Henry U. Mudge: I believe the year 1915 will give the railways larger gross earnings; I doubt if the net earnings will show much increase because of the necessity for higher operating costs, particularly as to maintenance.

UNITED STATES



Cotton as an Investment.

WHILE the price of wheat has been sky-rocketing as a result of the unprecedented war demand, cotton remains at a level below the cost of production. The Southern farmer is being generally exhorted to hold his cotton and is doubtless doing so to the extent of his ability. Foreign demand must grow, but cannot reach normal proportions until after the war is over.

A. Norden & Co. give six reasons why cotton is now a safe investment:

1. That cotton, one of the most necessary staples in the world, can, owing to exceptional conditions, be bought now at well below the reasonable cost of production.
2. That the superabundance of this sea-

son will be corrected, and probably more than corrected, by a deficiency next season.

3. That, being at panic prices, cotton is the most attractive of all investments; wheat, corn and oats are already on a highly speculative level, while securities have still to go through the inevitable liquidation from ante-bellum to post-bellum prices. The "water" has all been squeezed out of cotton, and it is on the "bargain counter."

4. That under the most unfavorable conditions cotton bought at present prices and held patiently, cannot ultimately result in a loss, and is absolutely certain to prove a moderately profitable investment.

5. That in addition to the soundness of the investment as an investment, there are possibilities of an enormous increase in value.

6. That such an opportunity is seldom presented and that it should be taken advantage of by everyone who has idle money to invest.

Financial Inquiries

Federal Bank System.

Since the new banking system has gone into effect I have been trying to evolve some simple, quick method of keeping tab on the banking position of the United States. I have plotted the percentage of cash to all liabilities as given in *The Wall Street Journal*, but am in doubt as to the value of such a plot. It seems to me that when the per cent. of cash to liabilities is low all that is required is for the banks to take a lot of paper to the central bank which will issue notes of an equal amount, thus increasing their supply of cash. This money is then used to buy more paper, and the operation assumes the aspect of an endless chain. Wouldn't this tend to make such a plot of no practical value?

—C. Y.

We think your graphic showing the per cent. of cash to liabilities of the banks will be of service to you after the new Federal system is once thoroughly in operation, but at present the banking of the country is in a transition stage, so that it is rather dangerous to attempt to draw conclusions from changes in the relations of its various factors.

You are wrong in supposing that the new system of issuing notes will operate as an endless chain. If you will read the law you will see that this is provided against so far as national banks are concerned. However, the notes may be used as a part of the reserves of the state banks, and in time this may come to have an important influence toward inflation. At present, owing to the dullness of business and the small demand for credit, there is little likelihood of inflation.

Interpreting Financial Conditions.

W. H.—Our volumes 12, 13 and 14, price bound \$1.67 delivered, contain among a great variety of other valuable articles and information a series called "The Art of Interpreting Financial Conditions." This series of articles will probably be published in book form some time, but in the meantime it can only be obtained in our bound volumes. It contains studies of the movements of stock prices and of general business conditions for a period of years from 1902 to date, illustrated by numerous diagrams. We think you would find this of interest, and it may be just what you desire.

Lost Certificates.

If certificates are stolen or destroyed by fire how can owner claim same?—H. V.

The company should be notified immediately, and may be requested to issue new certificates to replace those lost. A bond will be demanded by the corporation against the turning up of the old certificates with attendant risk to the issuing company.

Geographical Distribution of Capital.

A plea for the widest distribution of one's investment capital based upon a sound investment principle. Intended to show how investors and estates can obtain greater security and stability for invested monies. Catlin & Powell, Mills Bldg., New York.

BOND DEPARTMENT

THE "index of potential credit" shown on this page has been prepared, of course, from the banking statistics of the country. It includes those credit factors which, under ordinary conditions, might be expected to affect the price of bonds. It does not, as will readily be understood, contain *all* the factors that influence bond prices. These are many and various, but "potential credit" as here shown is usually the most important.

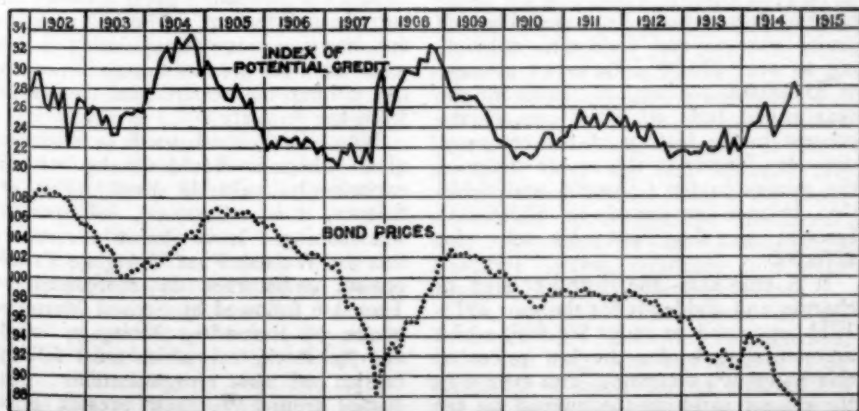
It will be noted from the diagram that from 1902 to February, 1914, the Index of Potential Credit rose and fell, roughly speaking, about six months ahead of the bond market. In 1910 and 1911, however, the rise in the Index was small and the rally in bonds was still smaller. In 1914 foreign conditions were pulling against our domestic credit to an extent never before witnessed, so that bonds fell in spite of some rise in the Index.

The conclusion to be drawn from this graphic is unquestionable. Our domestic conditions are pulling strongly toward higher bond prices. They are, at the moment, overbalanced by the tremendous destruction of capital in the European war. The question to be decided, then, is: Has the price of bonds declined

enough to discount the effect of the war on the market for capital, so that from this new low level of bond prices the influence of our favorable credit position at home will begin to be felt?

No one can answer this question categorically; but our own view is that for some time to come these two opposing forces will about balance each other—that the war demand for capital will be likely to prevent any important advance in bond prices, while our own favorable credit position will prevent any serious decline. It is plain that nothing like the rapid rise of 1908 can be expected, for the decline in 1907 had been almost entirely due to the lack of "potential credit," so that when this difficulty was corrected through business liquidation in the panic of 1907, there was nothing to prevent a rapid recovery in bond prices.

For two reasons the rise of bond prices now must be slow and irregular: First, our credit resources have not rebounded from depression as quickly or as strongly as they did in 1907-8; and second, foreign demands for capital must partly or entirely nullify the force of our credit improvement. The bond prospect is encouraging, but conservatism in selection of purchases is essential.



Opportunities in Listed Bonds

By F. M. VAN WICKLEN

[NOTE—Mr. Van Wicklen is associated with one of the leading New York bond houses and his conclusions may be relied upon as trustworthy.—The Editors.]

Colorado & Southern Railway Company First Mortgage 4% Bonds, due 1929.

Yield at present price, about 5.35%.

Those who overlook these bonds in seeking sound investments yielding high returns will miss an unusual opportunity.

The Colorado & Southern forms parts of the Chicago, Burlington & Quincy System affording an outlet to the Gulf of Mexico for the Burlington and its parent companies, the Great Northern and the Northern Pacific. The property was acquired in 1908 by the Burlington through purchase of a substantial majority of its \$48,000,000 capital stock.

These bonds are secured by an underlying closed first mortgage on 1,040 miles of road, at the rate of less than \$19,000 per mile, including the heart of the system and the main line between Denver, Colo., and Texline, Texas, which forms part of the through route to Galveston. They also cover as a first mortgage extensive terminals in Denver, officially stated to be worth \$5,000,000, and other property. This issue of \$19,402,000 bonds underlies \$30,800,000 Refunding & Extension Mortgage 4½ per cent. bonds under which mortgage bonds are reserved to retire the First 4's.

For the past five years the Colorado & Southern has reported a balance over all its prior charges (including the interest on these First 4's) available for junior charges and dividends, amounting to over \$15,000,000, or an average of \$3,000,000 per annum. Even for the year ended June 30, 1914, one of the poorest in the history of the company, due very largely to the severe strike of the miners in the Colorado coal fields, this balance amounted to \$1,790,000. Interest on the First 4's calls for \$776,000.

It is true that the surplus over all charges and dividends for the year 1913-1914 amounted to only \$65,885, which accounts largely for the low prices of this company's securities. But even with these poor earnings the interest on the

First 4's was amply protected, which is the point to be considered in estimating their worth.

Earnings of the Colorado & Southern as officially reported are beginning to show increases, the November gross showing a gain of \$270,000 or 22 per cent., and the net a gain of \$216,000 or 75 per cent.

These bonds sold in 1908 at 99½. Their present price is around 87.

Wabash Railroad Company First Mortgage 5% Bonds, due 1939.

Yield at present price, about 5.20%.

It is on account of the troubles that have beset the Wabash during the past few years, ending in a receivership for the property, that its First Mortgage 5 per cent. bonds are selling under par. Intrinsically, these bonds are well secured, being a first mortgage on the system proper covering its main lines.

The Wabash is almost ideally located, reaching such important traffic centers as St. Louis, Chicago, Kansas City, Omaha, Des Moines, Toledo and Buffalo, and is in a splendid position to receive a very large volume of business. Few railroads compare with the Wabash in point of important territory traversed. In fact the company's gross earnings are entirely satisfactory. The net earnings are, however, very disappointing, and it seems as if the present management were not getting the results that it should from the property.

What the Wabash needs is efficiency, given which it should develop into an exceedingly valuable road. This efficiency, it is understood, will soon be forthcoming. It is almost a certainty that the Wabash First Mortgage 5's will remain undisturbed in reorganization. They are followed by Second Mortgage bonds, by Refunding Mortgage bonds and by stock, on which must fall the burden of the reorganization. Purchased around 97, their present price,

these bonds should some day show a good profit.

**Central Railroad & Banking Company of
Georgia Collateral Trust Mortgage 5%
Bonds, due 1937.**

Yield at present price, about 5.15%.

There exists among many investors a prejudice against collateral trust issues, the very name collateral trust being sufficient to keep them from looking into the merits of any bond so termed. There is perhaps a great amount of justification for this prejudice, a case at present in the foreground being the Chicago, Rock Island & Pacific R. R. Co. Collateral Trust 4 per cent. bonds. But to condemn all issues of this character is to shut one's eyes to many profitable investment opportunities that appear at times like the present.

The Central R. R. & Banking Co. of Georgia Collateral Trust 5's, irrespective of their collateral security, are excellent bonds. They are a direct obligation of the Central of Georgia Railway Co., which was organized in 1895 to take over and consolidate the railroad and steamship properties of the Central R. R. & Banking Co. of Georgia and various controlled and affiliated companies. The Central R. R. & Banking Co. of Georgia was one of the oldest and most successful railroad corporations of the country, having paid dividends consecutively for many years.

The Central of Georgia Railway Co. has been a highly prosperous company, earning substantial margins over its fixed charges. In 1909 it was purchased by the Illinois Central Railroad Co., which owns its \$20,000,000 capital stock. It operates over 1,900 miles of road extending from Savannah to Atlanta, Ga.; Chattanooga, Tenn.; Birmingham, etc., and connects with the Illinois Central at Birmingham.

These Collateral Trust bonds are secured mainly by the deposit of practically all the capital stock of the Ocean Steamship Co., which owns several steamships plying between Savannah and Philadelphia and New York, together with extensive wharfage property at Savannah. For the year ended June 30, 1914, this company paid divi-

dends on its stock amounting to 16 per cent.

It is understood that the collateral deposited under these bonds represents an exceedingly valuable asset of the Central of Georgia Railway Co., and is of itself abundant security for them. In addition there is the substantial and long established earning power of the company, the equity represented by the company's new General & Refunding Mortgage of which \$6,637,000 bonds have been issued and are held in the company's treasury, and also the equity represented by the \$20,000,000 stock all owned by the Illinois Central.

These bonds have recently sold as high as 108. They are selling at present around 97½.

**Louisville & Nashville Railroad Company
South & North Alabama General Con-
solidated Mortgage 5% Bonds,
due 1963.**

Yield at present price, about 5%.

A direct obligation of the Louisville & Nashville R. R. Co., secured by a mortgage on an important part of its system, to yield 5 per cent., is something new in investment circles, and should be taken advantage of promptly by investors. When normal conditions return these bonds should sell well above a 4¾ per cent. basis, or 104¾, the price at which they were brought out last February.

The main line of the road covered by these bonds extends from Decatur to Montgomery, Ala., passing through the city of Birmingham, and forms the main connecting link in the Louisville & Nashville System between its northern lines centering at Nashville and its southern lines and connections centering at Montgomery. Over the line between Birmingham and Decatur there is the greatest tonnage movement and the largest train movement in the Louisville & Nashville System, according to a statement of Mr. H. Walters, chairman.

The extreme conservatism of the Louisville & Nashville management, which has long been in evidence, is an assurance of safety for its bondholders that accounts for the high regard in which its obligations are held. For ex-

ample, the company earned $9\frac{1}{4}$ per cent. on its \$72,000,000 capital stock for the year 1913-1914, and paid 7 per cent. in dividends. Earnings since then have shown a declining tendency along with all other roads operating in this territory. Instead of continuing the full 7 per cent. dividend rate and hoping for better earnings, a practice in vogue with too many of our railroads, the Louisville & Nashville promptly meets the situation by cutting the dividend to a 5 per cent. rate. This sort of management is bound to be popular with the holders of the company's fixed obligations.

**Southern Pacific Company San Francisco
Terminal First Mortgage 4% Bonds,
due 1950.**

Yield at present price, about 5.15%.

These bonds are a direct obligation of the Southern Pacific Co., secured by a first mortgage on extensive terminal property located in San Francisco and vicinity. The property includes 320 acres situated wholly in the City of San Francisco, comprising the terminals of the Southern Pacific Co. which are used by every train of that system entering San Francisco, excepting those ferried across the bay. The property includes railroad track, power houses, shops, engine houses, etc. According to an official statement, this property was valued in 1910 at considerably in excess of the bonds now outstanding, since which time the value of the real estate is said to have increased materially.

The interest on these bonds is a charge technically prior to the interest on the company's \$135,000,000 convertible bonds. It is, of course, prior to dividends on the \$272,000,000 capital stock.

These bonds were brought out in 1910 at 93. Their present price is round 82.

Missouri Pacific Railway Company Collateral Trust 5% Bonds, due 1917.

Yield at present price, about $10\frac{1}{2}$ %.

There are many who have increased their income considerably through buying bonds which have some speculative risk attached to them. Those who want pure speculation, and therefore quick re-

turns and profits, must look to the stock market. But those who desire to increase their income by means of a sort of semi-conservative, legitimate method, without encountering the risks that exist in the stock market, may do so through the purchase of semi-speculative bonds, provided of course good judgment is used in their selection.

Such issues are not intended for the investment of the funds of women or trustees, but rather for business men who are able to keep in touch with general conditions.

An issue of this nature is the Missouri Pacific Collateral Trust 5 per cent. bonds, due January 1, 1917, or in about two years' time, which may be obtained at present on about a $10\frac{1}{2}$ per cent. basis. These bonds are in effect a first mortgage on 1,114 miles of road at the low rate of \$12,800 per mile, being secured by deposit in trust of \$17,215,000 first mortgage bonds. Their mortgage is closed at \$14,376,000 bonds outstanding.

The mileage covered forms a profitable portion of the Missouri Pacific System, and includes the greater part of its main line between Kansas City and Pueblo, Colo., at which point connection is made with the Denver & Rio Grande System.

These bonds are followed by \$3,972,000 Kansas & Colorado Pacific 6's, by \$29,806,000 Missouri Pacific First & Refunding Mortgage 5's, by \$25,000,000 6 per cent. notes and by \$82,700,000 stock.

The Missouri Pacific may be headed for receivership, and it is this apprehension that accounts for the low prices of its securities. Granting receivership, however, which is by no means certain, these Collateral 5's should fare well in reorganization. They are now selling around 90 which is a $10\frac{1}{2}$ per cent. basis, providing that they are redeemed at par on January 1, 1917.

Minneapolis & St. Louis First and Refunding Fours.

A holder of these bonds who bought at 70, asks if he should now sell at 40.—The road has shown considerable improvement during the last six months and holding on for a rise appears advisable.

Bond Inquiries

Southern Ry. Gen 4s—Steel Spring 1st 5s— Western Electric Bonds.

A. W. A.—Southern Railway General 4s look like a good speculative investment, but cannot now be classed among high grade bonds. It does not seem at all likely that the company will have any difficulty in meeting the interest on these bonds, but in view of the unprecedented situation created by the war and the low price of cotton, conservative investors do not feel like paying a high price for them. The earnings of the company in previous years have been very good, and with the restoration of normal conditions it should easily earn a good surplus for its preferred stock.

Railway Steel Spring 1st 5s (Inter-Ocean plant) are redeemable at 105 and interest on any interest date, and a sinking fund of \$125,000 annually, commencing 1914, is provided for the purpose of redeeming and cancelling the bonds. They are a first lien on the property of the Inter-Ocean Steel Company, which affords a high degree of security for the issue. No reason is apparent why these bonds are not entirely safe, and they yield a good return on the investment.

Western Electric bonds are of very high standing. They are abundantly secured, and the earnings of the company are liberal. They are one of the best industrial bonds obtainable.

Two Good Speculative Bonds.

G. B.—Seaboard Air Line Adjustment 5s, now yielding about 7.90, are desirable speculative bonds because of the success of the Seaboard management in improving the operating conditions on this road. Seaboard has been making better progress during the last couple of years than Southern Ry. (See article on the Seaboard Air Line in our December issue.)

Another good bond of a somewhat similar character would be Bethlehem Steel Refunding 5s, now yielding about 6¼%. This company is in a very strong position—the earnings are large, and the bond is well secured.

Please name and state rate of interest on some good bonds as an investment at the present time.—M. M.

Norfolk and Western Ry. new convertibles bearing 4½% interest. These are at present obtainable at a figure slightly above par, and as they may be exchanged for stock at par at any time up to 1923, these bonds are likely to rise in market value as soon as business conditions in the United States resume their normal course.

Ray Consolidated Copper convertible 6s.

There is no reason to doubt that the interest on these bonds will be paid regularly, and as they are convertible into the stock at 20, they carry large possibilities of profit upon resumption of activity in the copper industry. The bonds may now be bought at about 103; during 1914 they touched 117.

Bethlehem Steel first extension mortgage 5s, now selling at \$8¼, form a safe investment among the industrials. The same company's refunding 5s, series A, at present prices yield about 6%, and are in a strong position. Earnings of the corporation are large and the bonds are well secured.

Varied Holdings.

A. G.—Pacific Gas & Electric, General and Refunding 5s are among the bonds usually rated as second grade, that is, a little below the very highest class of securities. The company is doing a good business, and we see no reason why these bonds are not a safe security to hold.

Kerry Timber 1st mortgage 6s are based on ample security in the form of merchantable timber and the land on which it stands in Oregon, and the 1st mortgage bonds of the Columbia & Nehalem Railroad, which affords an outlet for the timber to the Columbia river. A sinking fund of \$2 per 1,000 feet on all timber cut is set aside to retire the bonds, and they are redeemable on any interest date upon thirty days' notice at 103 and interest. This has every appearance of being an excellent bond.

American Public Service 1st lien 6s 1942 are secured by a first collateral lien on all the property owned by the company. The earnings are about double the interest charges on the bonds, and in view of the character of the business done (gas, electric, ice and water companies) the bonds appear to be a reasonably safe investment.

Southwestern Power & Light 1st lien 5s 1943 are strong and well secured bonds. Huntington Land & Improvement collateral trust 6s are also well secured, and we see no reason to criticize your investment in them. United Light & Railways 1st and refunding 5s are very strong bonds. They should probably be rated as high as any public utility bond.

H. F.—At this writing your bonds are selling about as follows:

Iron Mountain River General Division 4s, 67½; Western Maryland 1st 4s, 54; Big Four Debentures 4½s, offered at 84¼; Alton 1st lien 3½s, 36-39.

The Big Four Debentures are in a fairly strong position. The other three bonds are speculative, and it is impossible to predict their future at the present time. Their prospects are roughly indicated by the prices at which they are selling.

INVESTMENT DEPARTMENT



INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

The Stock Market

THERE is a well-founded prospect, as we see it, for a gradual business improvement during 1915. The reasons for this are brought out in other departments of this magazine. The vital question for the investor, then, is this:

Will the stock market in this instance discount business improvement as it has nearly always done in the past, or will it be restrained by foreign selling of our stocks on the advances, by scarcity of capital due to unprecedented destruction of wealth in Europe, and by the unwillingness of big capitalists to take stocks on any large scale under conditions of such uncertainty?

The "Index of Potential Credit" shown in our Bond Department is worthy of attention in connection with stocks also, since the stock market is dependent on the condition of credit, though not in just the same way as the bond market. That index shows, in a general way, a rising buying power in this country; but so far this buying power is largely potential—the buying capacity is there, but it has not yet any large response in the market itself.

Easy money and improving business will bring a rise in stocks in time. Of that there can be no doubt. But the important question is, When will this rise come and what will be the nature of it? Will it be long delayed, as after the panic of 1893? Will it take the form of a dull, slow advance, as in 1904? Will it be preceded by a prolonged "trader's market," accompanied by narrow see-saw fluctuations without any definite upward trend?

We see no prospect of tight money for some time to come, in spite of the big de-

mands for capital abroad. But there is, of course, an important difference between tight money and scarcity of capital. In fact, we have had frequent illustrations of this difference for several years past. Money has been relatively easy most of the time—up to the beginning of the war. Yet our railroads and other enterprises have found it almost impossible to get supplies of capital adequate to their needs and the promotion of new enterprises on any large scale has been out of the question.

Moreover, we shall probably be unable to keep all of our own capital for use in this country. This is illustrated by the fact that within a short time the following loans have been placed in this country by foreign nations: Argentina \$15,000,000, Panama \$3,000,000, Norway \$3,000,000, Sweden \$5,000,000, Switzerland \$5,000,000, France \$22,000,000, Montreal \$6,900,000, British Columbia \$2,760,000, Winnipeg \$1,600,000, also loans to the Canadian Pacific and Canadian Northern railways.

We have always drawn capital from abroad. Now the situation is reversed. We cannot get capital from abroad but we are called upon to furnish it.

On the other hand, a large part of this money will be spent in this country for goods, thus creating business activity here.

Thus the outlook is for (1) easy money, (2) available supplies of capital for home use only moderate, and (3) growing activity of general business. The result will naturally be an uneven stock market—some issues strong, others dull or swinging over a comparatively narrow range of prices.

Skillful Management of Norfolk & Western

Strong Fight Against Falling Rates and Rising Expenses Leaves Dividends Secure—Trenchant Analysis of the Road's Position

By WILLIAM T. CONNORS

A GLANCE at the map herewith shows us at once that the principal business of the Norfolk & Western is the hauling of coal from mines to tide water. The road has, of course, a considerable local traffic, as most of its territory is well settled and prosperous. Stock raising and apple growing are rapidly developing industries in the western part of Virginia, where a large part of the company's mileage is located, and its western lines traverse tobacco sections of Kentucky and Ohio; but while this freight pays well, the total volume of it does not yet yield a heavy income.

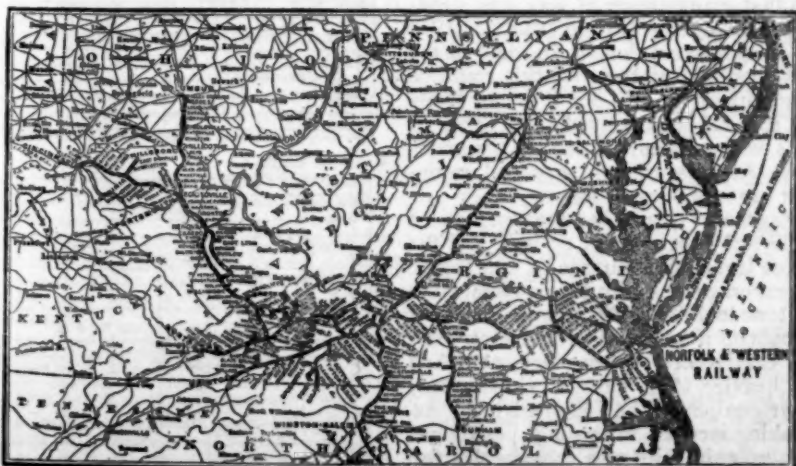
The road also handles some through business, both over its north and south line from the North to Knoxville, Chattanooga and Birmingham, and over the line between Norfolk on the east and Lynchburg, Roanoke, Cincinnati and Columbus.

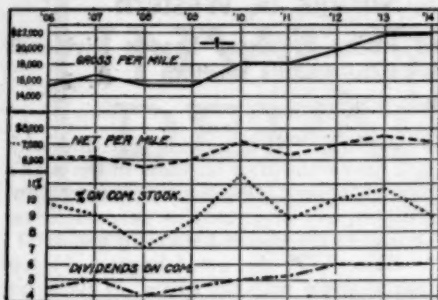
In this growing territory, and with a constantly increasing demand for coal, it is natural that Norfolk & Western's gross earnings per mile should show an almost continuous advance as seen in diagram 1, in spite of the considerable decrease in the average rate per ton-mile shown in

diagram 3. No fault can be found with the development of business in the road's territory, and there is no reason to anticipate any important or permanent reaction in the upward trend of gross.

Since 1910 the net (diagram 1) has not kept up with the gross. This is not surprising in view of the well-known adverse conditions against which the railroads of this country have been struggling—shown here by the rise in the per cent. of expenses to gross earnings (diagram 2) and the fall in the average rate per ton-mile (diagram 3). On the contrary, the surprise lies in the fact that net earnings have been maintained at practically the same level for the past five years, the figure for 1914 being almost exactly the same as for 1910, although the fiscal year 1910 was a prosperous one for the entire country and 1914 was not. Under the conditions, this shows a tremendous reserve power available for fighting unfavorable developments.

It is this that has enabled the company to maintain its earnings on the common stock (diagram 1) at a good average level, well in excess of the dividends paid. It is of the greatest interest to see just





how this has been accomplished. Diagram 2 shows that the per cent. of expenses to gross has risen sharply since 1910. The main factor in enabling the road to keep up its net has, of course, been the steady growth of gross, so that even after paying the higher expenses, there was enough gross left to protect the net.

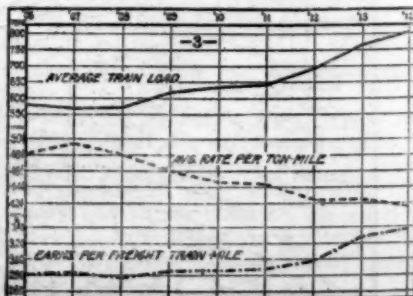
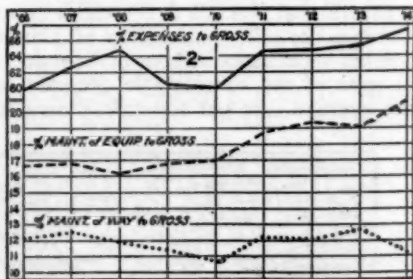
We have to see, however, whether the road has been allowed to run down in order to pile up profits for the stockholders. This could easily be done for a few years, but would be followed by an unpleasant afterclap of disaster. But diagram 2 shows us that the amount of money spent on maintenance of equipment has constantly increased in proportion to gross. The managers of the company have seen the wisdom and eventual economy of keeping cars and locomotives in the best possible condition. We see also that maintenance of way was steadily increased from 1910 to 1913: In 1914 this item was cut down. In view of the high condition of the road this could be done without injury, but it is not likely that it could be continued for a series of years without depreciation of the roadway. At present both way and equipment are in first-class shape.

Diagram 3 shows us the purpose of the liberal expenditures on way and the almost lavish maintenance of equipment. The average train-load has risen from 571 tons in 1908 to 802 tons in 1914. It is doubtful if any road in the country can beat that record of improvement. And this heavier load, hauled by constantly better equipment, has resulted in an astonishing increase in earnings per freight train mile, in spite of a considerable fall

in the average freight rate. As recently as 1911 each freight train earned \$2.88 in running a mile, while in 1914 this figure had risen to \$3.37. Even in 1914, such a discouraging year for all railroads, Norfolk & Western was able to increase the earnings of its freight trains about 10 cents per mile.

During the 1914 year the managers of this road showed especially brilliant generalship by increasing their expenditures for equipment to a far higher figure than ever before while reducing their costs on maintenance of way. This enabled them to haul a heavier load and thus increase their earnings per freight train mile, yet without injury to the road.

Since June 30, 1914, where these diagrams end, gross has about held its own with the previous year and net has shown a slight increase. We may figure, therefore, that the road is in just about the same position as it was during the 1914 fiscal year. Rates have doubtless stopped declining, even if no increase should be permitted in the territory of this company. There is every prospect that the per cent. earned on the stock the current year will exceed the dividend requirements by a liberal margin, and the road is



in a position to profit more than most others from the return of prosperous business conditions when they come.

The $4\frac{1}{2}$ per cent. bonds of this company which are convertible into the stock at par are worthy of special notice. At this writing the price of the stock is a

fraction above par, so that the bonds will have to follow the stock upward, but in view of their abundant security they could follow it downward but a very short way even under the most adverse conditions that could be considered in any way possible.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither THE MAGAZINE OF WALL STREET nor the authorities quoted guarantee the information, but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company.

American Brake Shoe & Foundry.—SURPLUS HALVED. Report for year ended Sept. 30, 1914, shows surplus after dividends, \$301,572, which compares with \$605,087 for year previous. After allowing for 7% div. on \$4,600,000 common stock (to which div. the common is limited), the balance, \$701,572 equals 14.03% on the \$5,000,000 pfd., as against 18.95% in 1913.

American Can.—LARGE INCREASE in earnings noted for latter part of 1914. Co.'s yr. ended Dec. 31 was better than 1913, but not equal to recent reports heard in Street. 6% will probably be shown on common, compared with $2\frac{1}{2}$ % for 1913. Remaining $8\frac{3}{4}$ % in back divs. on pfd. will not be paid until disposal of Government suit. 1915 foreign business expected to be best in Co.'s history.

American Car & Foundry.—ANNUAL REPORT for fiscal yr. ended April 30 last will probably compare poorly with 5.5% earned prev. yr., as railroad buying has been at low ebb. Business of Co. is, however, one of wide swings between high prosperity and lack of orders. Management has been conservative and return of country to normal conditions should bring upward turn in this Co.'s affairs. Financial situation strong, particularly in quick assets, which at beginning of last yr. amounted to \$22,000,000 as against total pfd. stock of \$30,000,000; no bonds.

American Hide & Leather.—COMPANY'S POSITION IMPROVED by better prices obtainable in leather business; volume of sales also shows substantial increase. Net quick assets, as reported for June 30 last, reached record figure of \$9,237,922. Previous poor record of Co. must not, however, be overlooked: over 100% accumulated divs. are due on the pfd.

American Ice.—\$1,000,000 PROPERTY ADDITION, with increase of only \$300,000 in bonds, showed by record for yr. ended Oct. 31, 1914, which compares favorably with any in the past decade, both as to gross and net, phenomenal earnings of 1906 and 1913 only being notably greater. Final surplus for divs.,

1914, equals $2\frac{1}{4}$ % on pfd.; \$1,150,000 increase in property account was derived from working capital, the sale of bonds, a small mortgage and the surplus earnings of the yr. Net tangible assets were increased \$210,000, enhancing value of pfd. more than \$1 a share. When present management took charge in 1904 net tangible assets behind pfd. were \$39.60 a share. Increase to date in list value amounts to \$21.60 per share, or more than 50%, the figure now being \$61.20. Present rate of div. likely to be continued until earning power of new plants is demonstrated.

American Locomotive.—SEVERE DEPRESSION noted in Co.'s business during last yr., but this situation may change quickly for better. For yr. ended June 30, 1911, earnings on common were $7\frac{1}{4}$ %, in 1912 these dropped to less than $\frac{1}{2}$ of 1%, rising to $17\frac{3}{4}$ % in 1913. Dropped again to $1\frac{1}{2}$ % thereafter. Management was severely criticised during last yr. and there have been a number of changes which should make for better state of affairs.

Atchison, Topeka & Santa Fe.—EARNINGS both gross and net are making constant gains. Heavy grain shipments for foreign trade a governing factor. Common stock will probably earn about 9% for 1914, comparing with $7\frac{1}{2}$ % previous yr. Reg. quarterly div., $1\frac{1}{2}$ % on common, declared payable March 1 to stock of record Jan. 29.

Atlantic Coast Line.—DIVIDEND CUT to $2\frac{1}{4}$ %. Directors announce $3\frac{1}{2}$ % "Cash" div. on common, payable Jan. 11 to stock of record Dec. 28. Six months ago $3\frac{1}{2}$ % was declared. Previous to 1907 this stock was on 6% basis, rate reduced to $5\frac{1}{2}$ % in 1908 fiscal yr., restored to 3% semi-annually in May, 1909, and increased to $3\frac{1}{2}$ % Nov. that yr., which rate was maintained up to present action.

Baldwin Locomotive.—OUTPUT REDUCED $\frac{1}{2}$ in number of orders filled, but less than $\frac{1}{2}$ in weight and value; 800 locomotives built in 1914 compare with 2,025 in 1913. Recently received order for 16 locomotives from Nashville, Chat. & St. Louis R.R. Bald-

win Co.'s capitalization includes rather a large amount of bonds, but substantial earning capacity for common stock under normal conditions has been shown, 2% divs. being continued.

Baltimore & Ohio.—EARNINGS ON COMMON for 1st half of current fiscal yr., 2.25%, or at annual rate of 4.5%. This calculation, however, makes no allowance for fact that the first half of the fiscal yr. is the best. Sharp reduction has been made in expenses. Freight rate decision and advances allowed in certain passenger rates should exert favorable influence from Jan. 1 on. If Pres. Willard's estimate that freight rate decision means \$2,000,000 a yr. to B. & O. is correct, then the \$1,000,000 loss in net to date should be regained by the end of next June. Co. has ordered \$2,000,000 worth of new cars. Dividend reduction from 6 to 5% rate was less drastic than expected and gives a hopeful tinge to situation, not only of this road but of country generally.

Bethlehem Steel.—30% ON COMMON is estimated as balance earned in 1914. This will be a record in Co.'s history; 1913 net for common was above 27%. Before that, the best figure was 6%. This is a specialty business and has at no time felt full force of 1914 depression in steel industry. Last fall its plants were running 70% of capacity, while other Cos. worked below 40% mark. Great selling ability of Mr. Schwab an important factor. Co.'s dependence on his genius deprecated in some quarters, but he has developed a capable corps of lieutenants. Chilean iron ore deposits form another asset possessed by Bethlehem Steel and not yet taken up in market price of its stock. It is estimated that when these South American deposits will be in full operation they should increase the value of common by \$5 a share. Foreign orders now coming in so rapidly that more than 2,000 men have been put to work within the last month; 11,000 at present on payroll. Aggregate value of such foreign contracts estimated at \$135,000,000.

Boston & Maine.—FIXED CHARGES cannot be met this fiscal yr., in spite of big saving in operating expenses. Traffic conditions poor. Nov. gross earnings off 7%, or \$290,880 from gross of Nov., 1913, which was \$4,036,678. New Billerica repair shops permitted notable economy in equipment and maintenance depts. Substantial increases in freight and passenger rates estimated as augmenting revenues by more than \$1,500,000 a yr. Notwithstanding \$2,044,000 deficit after charges for last fiscal yr., the road earned \$178,000 less in five months to Dec. 1, 1914, to meet charges.

Canadian Pacific.—FIVE MONTHS NET after taxes reported at \$17,474,052, comparing with \$22,984,615 for same period yr. previous. Co. will pay off at par and interest at any time up to July 1 next, when they mature, its \$12,842,647 5% first mortgage sterling debentures. The offer is to anticipate by a few mos. the maturity of bonds for such holders as prefer the money now.

Central Leather.—DIVIDEND INCREASED. Common will in Feb. receive 3% as compared with 2% last yr. Surplus for divs. for yr. closed, abt. 6½% on common as compared with 5.18% in previous fiscal yr. War situation decidedly beneficial to this Co. Gain in net over previous yr. estimated at between \$500,000 and \$750,000. Co. will feel heavy export demand for leather for army purposes as long as war lasts. With higher prices for raw material more working capital will be needed, as considerable money is tied up in the purchase of hides all over the world. Financial position of Co., as shown in last annual report, excellent. Central Leather is also a large producer of lumber, but this business has been poor during the last 12 mos., practically nothing being earned from that source.

Chicago & Alton.—COSTS REDUCED. New management made remarkable showing this fiscal yr. reducing transportation costs—operating ratio for 5 mos. ending Nov. 30 was 72.83 as compared with 79.39 for same period yr. previous.

Chicago Great Western.—ECONOMIZING. By cutting expenses Co. turned \$19,000 gross loss into \$28,000 net increase in operating revenue. After charges, \$9,073 net gain remained.

Chicago, Milwaukee & St. Paul.—NEW FINANCING. A syndicate to underwrite the \$29,141,300 5% convertible bonds is being formed by Kuhn, Loeb & Co. and the National City Bank. The underwriting price is to be 98½%. The bonds will be offered to stockholders of record Jan. 29 for subscription at par to extent of 12½% of present holdings, right to subscribe expiring March 1. The new bonds will be issued in denominations of \$1,000, \$500 and \$100. Puget Sound lines of the St. Paul to be electrified.

Chicago & Northwestern.—FIVE MONTHS' SURPLUS after charges, \$5,971,406 for 1914, comparing with \$7,211,570 for same period previous yr. The ease with which this Co. recently sold \$10,000,000 in 5% general mortgage bonds at a price to yield about 4.9% is evidence of improvement in general financial conditions. The purpose of this issue is to retire \$12,832,000 consolidated mortgage 7's maturing Feb. 1, 1915. The road's interest charges will not thereby be increased, but the rate of interest being lower, charges will be reduced nearly \$400,000 a yr.

Colorado & Southern.—FIVE MONTHS' NET after taxes, \$1,800,165 for 1914, as compared with \$1,555,653 same period previous yr. Nov. report decidedly optimistic, indicating that improvement recently noted has developed strength. Industries in territory served are resuming former activity.

Corn Products Refining.—IN GOVERNMENT SUIT. Co. showed that competitors had since 1906 increased their business from 200 to 500%, in some cases the respective Cos. had at the same time paid divs. Corn Products Co. held that such testimony disproved claims that it had stifled competition through illegal

practices or ruinous prices. Reg. quarterly div. 1¼% on pfd. declared, payable Jan. 15 to stock of record Jan. 4.

Crucible Steel.—DIVIDEND DEFERRED. Action on div. on pfd. has been deferred as it was 3 mos. ago.

Delaware & Hudson.—EARNINGS DOWN. It is expected that 1914 calendar yr. will show 11% earnings, comparing with 14.53% for 1913, and 12.95% for 1912. Regular annual div of 9% declared, payable in 4 instalments of 2¼% each: March 29 to stock of record Feb. 25; June 21 to stock of record May 29; Sept. 20 to stock of record Aug. 28; Dec. 20 to stock of record Nov. 27.

Delaware, Lackawanna & Western.—EARNINGS DECREASE. Calendar yr. 1914, 1 month estimated, will show 25% earned on stock, as against 38.4% in 1913, 39% in 1912 and 39.2% in 1911. Surplus for divs. amounting to \$10,580,000 in 1914 would provide for 20% in divs. on \$42,277,000 outstanding stock and a surplus after divs. of abt. \$2,000,000. Probably all of such a surplus will have been appropriated for additions and betterments.

Denver & Rio Grande.—OUTLOOK POOR. As date for payment of \$1,250,000, next coupon on Western Pacific, draws near, uncertainty as to whether it will be paid or not increases. Readjustment of relations between D. & R. G. and W. P. considered necessary. Talk of reorganization rife. Pfd. stock around \$6 a share is selling at virtually receivership price. For 5 mos. net income has fallen off \$228,000. Nov. net decreased \$30,837; gro., \$356,700.

Erie.—NEW BONDS will, it is understood, amount to between \$15,000,000 and \$20,000,000. This will depend upon whether or not it is decided to provide for maturities later than the April 1 issue of \$10,000,000 3-yr. 5% notes. Other issues falling due this yr. include \$4,550,000 5% notes, maturing Oct. 1 next. There is talk of a first mortgage, mainline, 5% bond being put out at this time instead of bonds under the new general refunding and improvement mortgage. Erie's benefit under Interstate Commerce Commission's advance rate decision is reduced by prohibition against increases in coal rates. Total addition to Erie's earnings under this decision estimated at only \$1,000,000 per yr., as coal comprised 44% of road's revenue freight last yr.

General Chemical.—NET PROFITS of \$2,865,639 are estimated for the yr. ended Dec. 31 last; reserve for insurance, \$90,000; balance, \$2,775,639; div., \$2,019,280; surplus, \$196,359. Stockholders of Gen. Chem. Co. of Cal. voted unanimously to authorize sale of its assets to Gen. Chem. Co. of New York. This vote was taken in connection with the parent Co.'s offer to give 120% in cash, or 7 of its own pfd. shares in exchange for each 6 shares of Gen. Chem. Co. of Cal.'s pfd. stock.

General Electric.—ORDERS SHRINK. Co. booked orders for \$83,000,000 worth of goods in 1914, a 25% decrease from previous

years' figures. Sales billed out were \$94,000,000. European war not wholly responsible for decline. Up to July 30 sales have been running at 85% of 1913 showing. Plants now running 4 days a week. Full yr.'s div. on stock was earned in first 7 mos., as Co. entered 1914 with big volume of unfinished business on hand. This account is materially smaller for Dec. 31, 1914.

Great Northern.—REGULAR DIVIDEND, quarterly, 1¼% declared, payable Feb. 1, 1915, to stock of record Jan. 8. This div. shall apply to Co.'s outstanding receipts for full-paid subscriptions to whole shares of stock and shall be paid to holders of such receipts as they appear of record at close of business Jan. 8, when receipts are exchanged for and converted into regular stock certificates, provided, however, such payments shall not be made prior to Feb. 1, 1915. This div. shall also be paid on Feb. 1 to holders of record on that date of any shares issued after Jan. 8, 1915, to and including Jan. 31, 1915, in exchange for the Co.'s stock scrip.

Great Northern Ore.—CASH ASSETS should show further increase this yr., as royalties paid by U. S. Steel alone will aggregate over \$7,000,000. Large expenditures have been made for development work in anticipation of cancellation of the Steel lease.

International Harvester.—\$20,000,000 NOTE ISSUE. Arranged with Chicago bankers to meet maturity of outstanding \$20,000,000 3-yr. 5% notes due Feb. 15. Auburn plant, which has been idle, except in certain depts., for several mos., has begun to increase production, and will continue to add hundreds of men each week until full capacity is reached.

International Paper.—AVAILABLE BALANCE for pfd. divs., 1914, will probably amount to abt. 4.4% on \$22,406,700 outstanding. Reg. quarterly ¼ of 1% on pfd. has been declared. Previously to beginning of hostilities in Europe, International Co.'s sales had been somewhat better than those for same period of 1913. During the past few weeks Co. has renewed all its expiring contracts on same basis as 1913—2.15 cts. per lb.

International Steam Pump.—MILLION DOLLAR FICTITIOUS INDEBTEDNESS CHARGED. Stockholders of Blake & Knowles Co., a subsidiary of International Steam Pump Co., charged before Vice-Chancellor Howell, in Newark, N. J., that the Blake Co. has suffered reverses because of dominance of controlling Co. and manipulation of accounts so that fictitious indebtedness of abt. \$1,000,000 was created. Judge Julius M. Mayer has signed order authorizing International receivers to manufacture pumping apparatus for the Holly Mfg. Co. so that the latter may be enabled to complete existing contracts amounting to between \$3,500,000 and \$4,000,000. International Steam Pump owns \$767,000 capital stock of the Holly Mfg. Co., and guarantees the principal and interest on an issue of \$700,000 5% gold bonds of the Holly Co., made in 1902.

Kansas City Southern.—NOVEMBER STATEMENT shows decline in gross, \$101,000; net, \$79,000. This is due to lessening grain traffic.

Lehigh Valley.—SUIT DISMISSED. The Government's dissolution suit against Lehigh Valley and a number of other defendants engaged in mining and transporting coal has been dismissed in Federal court on ground that Government has not shown violation of the commodity clause of Hepburn act, nor was there any proof of restraint of trade under Sherman law.

Louisville & Nashville.—DIVIDEND REDUCTION from 7 to 5% is considered to have improved Co.'s credit. Policy of liberal maintenance will, it is believed, be continued, even if divs. suffer. This is favorable from bondholders' point of view. Movement of freight and passenger travel slackening. Stagnation of coal business, largest single commodity handled by this line, severely felt, but dominating reason for div. reduction is cotton situation.

Michigan Central.—DIVIDEND REDUCTION of semi-annual rate from 3 to 1% was little expected as net for 10 mos. was only \$475,000, or 7% below 1913. Co.'s earning power was broken not this yr., but in 1913, when its divisible surplus was the smallest in 7 yrs.

Missouri, Kansas & Texas.—SURPLUS after charges for 1st half of current fiscal yr. ended Dec. 31 abt. \$1,500,000. This is larger than figure attained for same period yr. previous, notwithstanding loss in gro. earnings. Freer movement of cotton through Galveston in Dec. contributed materially to earnings improvement during that mo. Better results expected in 6 mos. now running.

National Biscuit.—NET EARNINGS LARGER for fiscal yr. ending Jan. 31, according to present indications, but improvement slight, as gro. sales smaller than in 1913. Financial position considered strong.

New Haven.—NEW MORTGAGE will probably be of the "open end" variety, i. e., will not be limited to \$400,000,000. As over half of Co.'s mileage, including its most important line, is at present unmortgaged, blanket mortgage should make attractive issue. \$20,000,000 New Haven and \$10,000,000 Harlem Riv. & Portchester notes due May 1, 1915, will probably be extended because new mortgage can hardly be made ready in time.

New York Central.—SURPLUS EARNINGS for yr. ended Dec. 31 last, approximately \$2,000,444; including those of Lake Shore, approximately \$5,000,000. For past 5 yrs. surplus earnings of the two Cos. averaged \$17,500,000 compared with div. requirements of \$11,000,000 for N. Y. C. system as it stands after consolidation. The latter feature provides unification of financial structure and for the refunding bonds gives security of a direct obligation on Lake Shore. The N. Y. C. R. R. Co., which is the new corporation succeeding

old N. Y. C. & H. R. R. Co. Jan. 1, 1915, has applied to Stock Exch. for listing of \$249,590,500 capital stock. 1¼% div. on stock of new Co. is payable Feb. 1 to stockholders of record Jan. 8.

Norfolk & Western.—NOVEMBER EARNINGS continue poor showing begun this fiscal yr. Falling off in gro. business in reflection of almost stagnant condition in bituminous coal trade, large part of Co.'s revenue being derived from hauling that commodity. Total operating revenue for Nov. was \$3,074,133, a decrease of \$615,000 or 17% from Nov., 1913. Oct. gro. showed 15% decrease.

Northern Pacific.—REGULAR DIVIDEND 1¼% quarterly declared payable Feb. 1 to stock of record Jan. 9.

Pennsylvania.—INDEBTEDNESS to be increased by \$100,000,000 in addition to already existing authority to increase indebtedness by \$20,000,000. Stockholders will meet March 9 next to authorize latest demand of directors. This will enable Co. to refund its convertible bonds of 1905 amounting to \$87,000,000 maturing Oct. 1 next, as well as other maturing obligations to the amount of \$7,000,000. Will also provide necessary authority for such additional sums as may be required for improvements during the yr. Pennsylvania Co. stock which is all owned by Pa. Railroad, has declared 1% div., which is reduction, usual payments having been 4% in Dec. and 3% in June, which 7% annually has been paid for a number of yrs. past.

Pere Marquette.—PHYSICAL CONDITION GOOD according to report on appraisal. Replacement value of road placed at \$96,962,771 which figure would probably be increased \$10,000,000 from point of view of railroad expert. Rehabilitation now expected to follow reorganization, which may be hastened.

Pittsburg Coal.—PRODUCTION DECREASED to one million tons a month, as against normal output of two million a month. Similar conditions affect other large coal concerns.

Pressed Steel Car.—DIVIDENDS DECLARED on common at rate of 3% annually payable ¾% quarterly. Continuation thereof can hardly be looked for unless business improves.

Rock Island.—FORECLOSURE SALE confirmed. Distributable share of proceeds for bondholders will be \$98.50 for each \$1,000 bond.

Rumely Co.—AFFAIRS ACUTE. Management unable to redeem \$6,800,000 farmers' notes hypothecated with banks 1 yr. ago at 47c. on dollar. Also unable to raise funds to meet \$1,300,000 6% notes maturing March 1 next.

Seaboard Air Line.—INTEREST EARNED. Declaring 2½% on adjustment bonds payable Feb. 1, 1915. Directors officially announce that full semi-annual int. has been earned.

Sears Roebuck.—GROSS INCREASED 11.88% for Dec. and 5.79% for yr. 1914 sales totaling \$101,121,654.

Gloss-Sheffield Steel & Iron Co.—SCRIP DIVIDEND declared at rate of 1¼% on pfd., the regular amt. payable Jan. 1, 1916, with 6% int. Co. is husbanding cash resources which is considered wise procedure.

Southern Pacific.—FREIGHT EARNINGS abt. equal to those of last yr. excepting Texas, where poorer showing is due to cotton situation. With opening of Panama Exposition and general improvement throughout country, better passenger traffic expected.

Southern Railway.—FIVE MONTHS NET after taxes, 1914—\$5,685,777; 1913—\$8,100,056; 1912—\$8,411,997. J. P. Morgan & Co. have taken \$4,722,000 first consolidated Mortgage 5's, which were reserved to retire same amt. Richmond & Danville Cons. 6's due Jan. 1, 1915.

St. Louis & San Francisco.—REORGANIZATION plans believed to include assessment of \$12.50 to \$15 a share, which should yield about \$7,000,000 to treasury.

Tennessee Copper.—OUTPUT of sulphuric acid continues near record. Dec. production 21,000 tons; Sept. to Dec. included—82,734 tons, or at rate of 250,000 tons a yr.

Union Bag & Paper.—SATISFACTORY YEAR will be reported for fiscal period ending Jan. 31, according to a Co. official.

Union Pacific.—EARNINGS SUFFER. Co.'s recent records poor, as are those of other transcontinentals owing to loss of traffic to water lines through Panama Canal. Union Pacific's loss in net, however, kept down for Nov. to \$211,377, or about 7%. Railroads expect tendency of canal rates to be upward, decreasing competition to some extent; moreover railroads have not yet begun to reap benefits of canal's opening. Immigration to Western coast should rapidly develop Pacific States and add to railroad's short haul earnings.

United Cigar Stores.—AGENCY PLANS are success. Earnings possibilities through establishment of agencies throughout country are considered so great that there is likelihood of creation of new Co. to look after this business.

United Cigar Stores of Canada.—BUSINESS INCREASED 50% in 1914 over prev. yr., and common stock issued as bonus with the pfd. is estimated to be earning 8%.

United Profit Sharing.—CAPITAL INCREASE, authorized at Special stockholders' meeting Dec. 29; capital to be increased from \$350,000 to \$2,000,000, divided into 2,000,000 shares, par value \$1. Stockholders of record January 11 may subscribe to 4 shares at par of new stock, for each one share held. Payment may be made to Guarantee Trust Co. on or before Feb. 1, 1915.

U. S. Realty.—DIVIDEND REDUCED. Div. of 1% for quarter payable Feb. 1 to holders of record Jan. 21, with reduction of ¼ of 1% from previous disbursement.

U. S. Rubber.—REGULAR DIVIDENDS, quarterly, declared; 1¼% on common, 2% on 1st pfd., 1½% on 2d pfd. All payable Jan. 30 to stock of record Jan. 15. U. S. Rubber Export Co. recently formed with nominal capital, all owned by U. S. Rubber Co., will act as export agent for latter and subsidiaries, these thereby attaining greater efficiency and reducing cost of making sales abroad.

U. S. Smelting.—COMMON PASSES DIVIDEND. Usual quarterly div. 87½c. declared on pfd. payable Jan. 15 to stock of record Dec. 31, but common div. again passed.

U. S. Steel.—UNFILLED TONNAGE on Dec. 31 was 3,836,643 tons, an increase of 512,051 tons, as compared with Nov. 30. Net earnings for 1914's last quarter estimated \$15,000,000, and if depreciation charges show no material reduction from 3rd quarter, there may be a deficit of at least \$5,000,000 for the 4th quarter report. For 3 mos. ended Sept. 30, 1914, surplus after all charges was only \$89,479. Co. will not offer stock to employees this yr., as latter are in poor position, Co. working only 1/3 of capacity.

Virginia Carolina Chemical.—PASSING OF DIVIDEND on pfd. due to strained conditions throughout South, where Co. sells 90% of its fertilizer production.

Western Maryland.—DEFAULT of int. on \$60,000,000 notes will not bring Co. into courts as Rockefeller interests and Deutsche Bank of Berlin, largest holders of Co.'s securities, have agreed to support road. A reorganization plan is being put forward, providing for separation of terminal, railroad and coal properties into three separate concerns.

Westinghouse Air Brake.—REGULAR DIVIDEND, quarterly, \$2 a share, declared payable Jan. 15 to stock of record Dec. 31.

Westinghouse Electric & Mfg. Co.—PURCHASE of majority stock of Westinghouse Machine Co. will remove cause for friction, but immediate effect will not be profitable. The exchange on basis of 3 shares of Machine stock for one share of Electric applied to entire Mach. Co. issue of \$7,505,000 would mean issue of \$2,500,000 additional Elec. common, imposing another \$100,000 yearly div. on latter. Joint economies of operating two cos. as one may amt. to \$100,000, but Machine Co. itself is not profitable under existing conditions, nor are future prospects considered bright.

F. W. Woolworth Co.—EARNINGS INCREASE to 11.3% on common for 1914, as compared with 10.8% for 1913 and 8.7% for 1912. Ill effects of war touch business slightly; Dec. sales being \$10,502,276, a loss of only 0.63% as compared with same month 1913. For full yr. 1914 sales were \$69,616,775, an increase of 5.12%. During 1914 Co. added between 40 and 50 new stores, increasing total number to about 700. Regular quarterly dividend of 1¼% declared on common, payable March 1 to stock of record Feb. 8.

Investment Inquiries

High Grade Stocks.

Will you please give me a list of six or eight high grade stocks which you recommend as investments for a long pull.—W. E.

We would suggest that you spread your investments among the following securities: Union Pacific, Kansas City Southern preferred, Bethlehem Steel Preferred, U. S. Rubber 1st preferred, Utah Copper, Chino Copper, Twin City Rapid Transit and Consolidated Gas.

Low Priced Industrials.

I have a few thousand dollars with which to buy about ten low priced industrial stocks. Would you kindly give me a list of ten such stocks in order of merit upon which a high percentage of profit might be made, provided anticipated prosperity returns?—C. D.

We would suggest the following issues as well adapted to your requirements: Bethlehem Steel common, U. S. Rubber common, Central Leather common, Chino, Ray, American Can common, Pacific Telephone common, United Profit Sharing, Distillers, Riker Hege-man.

NOTE.—Since the above was written a number of these stocks have risen sharply. Of course caution should be exercised in buying any stock after a big advance.

Atlantic Coast Line.

Atlantic Coast Line has just reduced its dividend from 7% to 5% owing to depressed conditions in the South as result of the cotton situation. Of course no one can tell how long this depression will last, but there is no question about the earning capacity of this road under favorable conditions.

Steam Pump.

The affairs of International Steam Pump are in such an uncertain condition that it is impossible to form any reliable estimate as to the prospects for the stock. However, as the price of the common stock is now 3 asked, nothing bid, it is doubtful whether you could get enough for your stock to make it worth while to sell. If we had any of this stock we would deposit it with the protective committee and await the results. In case of assessment the worst that could happen to you would be to lose the stock, which now has very little value.

D. & R. G.—Wabash.

A. L.—Denver & Rio Grande is loaded down with the obligations of the Western Pacific Company to such an extent that some kind of a reorganization will probably be necessary. We would not advise the purchase of the stock at this time, although if the general market advances it is probable that Denver would sympathize with other stocks.

We would not advise the purchase of Wabash. The recent plan of receivership has

been abandoned, and the future of the company is uncertain. Its earnings are poor, and we see no encouragement to buy the stock.

Allis-Chalmers.

C. M.—Replying to yours of the 5th, we would advise you to retain your holdings in Allis-Chalmers. This company has passed through an unusually severe trial, and now seems on the road to better things. The corporation's business is still small, but this is due rather to the general commercial situation of the country than to any lack of energy or inadequacy of organization in Allis-Chalmers itself. Sooner or later you should see a decided advance in the market value of your stock.

American Can.

H. V.—To have bought Can common at 19½ was certainly both judicious and fortunate. This corporation is one of those American concerns which are most distinctly profiting by war conditions. The company is reported doing an excellent business at satisfactory figures, and the outlook for all its securities for 1915 is good.

Republic Steel—Crucible Steel—Va.-Car. Chemical.

J. H.—Republic Steel and Crucible Steel will profit with other steel companies when business becomes more active, but we do not consider them special bargains. Virginia-Carolina Chemical has just passed its preferred dividend, and during the present poor market for cotton its earnings will probably be relatively small.

Erie Common.

Erie will derive considerable benefit from the increase in rates permitted by the last decision of the Interstate Commerce Commission. Just what the increased earnings on the common will be it is impossible to estimate with any accuracy. It is to be remembered that there is a very large capitalization of bonds and first and second preferred stock ahead of Erie common, so that dividends on this issue are unlikely. As a speculation, however, it seems to us that the common stock is decidedly attractive. The road is in such good condition that any increase in the volume of business will result in an excellent showing in the way of net earnings. Our opinion is that Erie common is a good speculation for the long pull. Doubtless there will be plenty of opportunities to pick this stock up on reactions.

Sears-Roebuck.

If Sears-Roebuck common par value is reduced to \$10 you would not directly gain or lose as a stockholder. You would of course receive ten shares of \$10 par, instead of one

share of \$100 par. It is likely, however, that the stock might sell relatively higher when reduced to \$10 par, because the price would look low, and might attract more investors for that reason.

Sears-Roebuck is showing good earnings and appears to have excellent prospects.

Exchanging P. R. R. and C. & N. W.

W. H.—Pennsylvania and North Western are investment stocks of a high grade, and are well adapted to purely investment requirements, but if you wish to confine your holdings to growing companies where a profit in addition to interest may be obtained, you could perhaps exchange these stocks for some others to advantage—for example, Union Pacific and St. Paul. Those stocks are also of the investment class, but have, in our opinion, better prospects for appreciation in price.

U. S. Realty.

U. S. Realty passed its dividend last November because of the troubled conditions due to the war and the closing of the Stock Exchange. It owns the entire stock of the George A. Fuller Company, and owns or controls a number of the large New York office buildings and the Plaza Hotel.

In the year ending April 30, 1914, over 8% was earned on the stock against 5% dividends paid, and this is about the amount usually earned. On September 30 company announced that construction business was considerably larger than in 1913, bookings then being \$21,923,000 against \$19,000,000 the previous year. Building contracts had fallen off, but engineering work, largely on the New York subway, had increased. Among recent large contracts is one for the Cleveland City Hall, representing \$1,250,000.

In five months to September 30 earnings on the stock were at the rate of 6% yearly. We see no reason why you should not continue to hold this stock. The action of the directors in passing the dividend was extremely conservative, and there is no reason to doubt that dividends will be resumed as soon as business conditions improve.

Pressed Steel Car—Car & Foundry.

Pressed Steel Car's business is the manufacture of railway cars and car accessories, and its earnings are therefore dependent upon orders from transportation companies. Such orders are at present at a low ebb. The past record of the company has been somewhat checkered, and the management has treated the public to several surprises.

American Car & Foundry preferred is a stock that is likely to show an improvement when the railways re-enter the equipment market. At the present time the company's business is light. However, the issue is selling at a very low figure, and it is probably only a question of time when the roads will be compelled for self-preservation to make

heavy drafts upon its output. This company is strong financially.

International Harvester Corporation.

C. M.—International Harvester Corporation is in a most uncertain position. Its income is mainly dependent upon sales of harvesting machinery in the countries directly affected by war, and the corporation's outlook depends therefore entirely upon the duration and results of that struggle. The business is now at a standstill, and while the manufacturing plants there have so far not been reported as damaged, the factory at Lille is in an especially dangerous position. It would probably be well to change your investment. We suggest reinvestment in such an issue as American Can preferred. This stock is paying a good rate, 7%, and is affected favorably by the war. The company's plants are working to capacity with bookings ahead of its records for years.

Steel Spring—Cotton Oil.

W. M.—The stocks you hold are of course of a speculative rather than an investment character, and from that point of view we see no special criticism to be made on your holdings. Railway Steel Spring is dependent on the amount of buying done by railroads. This as you know has been at a very low ebb—in fact so low that it does not seem as though it could get much less, and it is certain to increase eventually. The recent Interstate Commerce Commission decision will be likely to afford some help in this direction. Steel Spring has earned its full preferred dividend every year since organization except one. It enjoys a larger margin of profit on its business than most investment companies, about 23%. The company is well managed, and is in a strong financial position, getting a good deal of repairing work even in dull times. A large increase in business is inevitable when more prosperous conditions recur.

American Cotton Oil was able to earn 2% on the common stock even in as poor a year as that which ended November 1 last. The common has not paid dividends since 1911, but the company has a large amount of working capital on hand, net quick assets August 31 being equal to 38% on outstanding stocks both common and preferred. The future prospects of the company appear to be excellent.

Bank Stocks.

We could not advise you to take up bank stocks in general, as these are usually closely held, and unless you are personally acquainted in the directorate of the average bank, it would be impracticable for you to gain any information as to the position of your holdings at ordinary times. At the same time you are correct in believing that a growing bank or trust company stock offers big possibilities, and all depends upon your personal relations with such corporation.

The Melon in Consolidated Gas

Earnings You See and Earnings You Don't See



NE has only to stroll up the Great White Way after dark to reach the conclusion that selling electricity in New York City must be a pretty profitable business. Yet the growth in electric lighting is no greater than the growth in the use of electricity for power. And it is in electricity that Consolidated Gas is making its money.

From 1909 to 1913 the company's sales of gas increased only $5\frac{1}{4}$ per cent.—a much smaller gain than that of most other gas companies in the United States—but sales of electricity grew 67 per cent. That isn't so bad for a brief four years.

The results are shown in the small graphic herewith. The earnings of the company as shown in its annual reports include only the earnings of the Consolidated Gas Co. proper, without its subsidiaries, plus the dividends paid to the main company by those subsidiaries. The sub-companies pay over to Consolidated, which owns about 95 per cent. of their outstanding stocks, only a part of their earnings in the form of dividends. The remainder is carried each year to the surpluses of the sub-companies.

The result is that the earnings of Consolidated Gas as figured from the reports are much smaller than the real earnings of the enterprise considered as a whole. Since 1908 these apparent earnings have been running only one or two per cent. above the dividends paid; but the real earnings, counting in the annual surpluses of the sub-companies, have mounted to astonishing heights, as calculated by the Public Service Commission.

According to these figures, only a little over one-third of the actual earnings of the entire enterprise is now being disbursed to the public in the form of dividends.

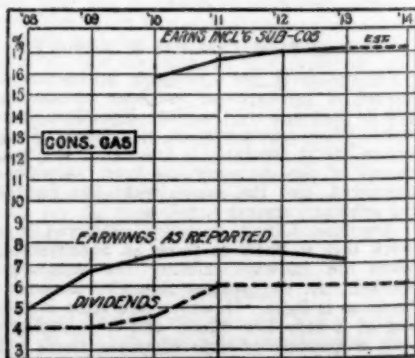
While the various subsidiary companies have small amounts of different kinds of bonds outstanding, Consolidated Gas proper has heretofore had only \$1,236,000 debentures of 1888, which were extended to 1918. Temporary financing has been by means of short term notes, of which about \$10,000,000

at 6 per cent. are now outstanding. Convertible 6 per cent. debentures to the amount of \$25,000,000 are now to be issued, which will take up the notes and leave a surplus for working capital.

These debentures are convertible into stock at par on any interest date after three years and until maturity, which is five years. They are now quoted at about 110, so that the interest yield alone is not especially attractive; but the range of the price of the stock has in recent years been between 125 and 150, except for the recent war markets, when a low of $112\frac{1}{2}$ was recorded. This, of course, makes the convertible privilege very valuable. The price of the debentures will necessarily follow the price of the stock closely, so that for a combination of high safety with good speculative prospects these bonds will be hard to beat.

The steady growth of the earnings on the stock, even under somewhat unfavorable business conditions, leave practically no doubt as to its future. It is hard to imagine anything that could happen to the gas and electricity business in New York City, or any probable form of public regulation, that would leave the dividends on the stock in doubt.

President Cortelyou has stated that the matter of increasing the dividend rate has been seriously considered, but in view of the importance of improving the property it was decided to retain the 6 per cent. rate, at least for the immediate future.



Public Utility Notes

American Light & Traction.—NEW BONDS will be issued on basis of \$7,500,000 mortgages created by sub-Co. Grand Rapids Gas Light. Abt. \$1,575,000 will be used for re-funding, etc., leaving \$5,925,000 for future requirements.

American Tel. & Teleg.—GAIN IN STATIONS during 1914 was 5.7% against 9% in 1913. Total is now abt. 8,600,000. Stations added during last 6 mos. were only 50% of those added the first six mos. Estimated that war economies cut down gro. at least 200,000 stations for the yr. Co.'s gro. income increases steadily. In Sept. and Oct. traffic was 95% of 1913, but in Dec. abt. 103%. The $4\frac{1}{2}$ % bonds are convertible Mar. 1, 1915. They may be exchanged \$120 bonds for \$100 stock or on equal basis with \$20 cash for each share of stock.

Brooklyn Rapid Transit.—EARNINGS in Dec. decrease \$67,000, which follows \$51,000 decrease in Nov. This is due to fact that nearly 500,000 people are out of work or on part time in New York City.

Cities Service.—EARNINGS 12 mos. ended Nov. 30 were \$3,943,000 gro. against \$1,892,000 in 1913; net, \$3,834,000 against \$1,805,000. Divs. on common were \$536,000 against \$419,000 in 1913, and surplus after divs. \$1,247,000 against \$469,000. Earnings on common for 12 mos. were abt. 11.4%.

Commonwealth Power, Railway & Light.—ELECTRIC RAILWAY subsidiaries are reporting decreases from corresponding mos. of 1913. Combined gro. earnings of all subcos. abt. the same as 1913, but net earnings increased 6.5% as a result of reduced operating expenses. However, owing to increased fixed charges balance for holding Co.'s stock decreased 5.4% in Nov. Pfd. divs. were unchanged, so that bal. for common decreased 8.4%. For 11 mos., however, bal. for common was 10.5% over 1913.

Consolidated Gas.—(See special article in this issue.)

Federal Light & Traction.—HIGH RECORD in Co.'s history was made by Nov. net earnings. Operating ratio has been reduced from 61% to 56.6%. An active campaign for new business has produced good results. Settlement of Trinidad Coal strike helped earnings. Appeal is now being heard in the Federal Court from Electric light rates fixed by Missouri Commission at Springfield, reduction from 15c. to 8c. per k. w. hour was ordered. Officials hope for favorable decision.

Hudson & Manhattan.—INTEREST on 1st mtg. bonds was earned $1\frac{1}{4}$ times in 1914 leaving abt. 2% earned on the adjustment income bonds after upkeep, depreciation renewals and amortization. Passengers carried in 1914 slightly exceeded 1913 in spite of dullness of business, and operating expenses were a little less. Capacity of tubes is considerably beyond present business.

Interborough Metropolitan.—EXTRA DIVIDEND of 5% on stock of Inter. Rapid Transit (sub-Co.) gave Inter. Met. \$1,695,000, equaling 3.7% on pfd. stock. I. R. T. has paid 20% during last yr. which after bond interest, would equal 8.3% on Inter. Met. Pfd., but owing to contract with the city, present earnings cannot be regarded as distributable. Nevertheless, Co.'s treasury is being strengthened and \$8,000,000 notes outstanding June 30, 1913, have been reduced to \$4,000,000. Under contract with city Inter. Met. bond Int. will be practically guaranteed, making these bonds attractive at current prices.

Massachusetts Electric.—DECREASED EARNINGS have been shown for 2 mos. owing to bad weather and bad business. For 6 mos. ended Dec. 31 gro. was practically the same as in 1913.

Pacific Gas & Electric.—INCREASED EARNINGS have been chiefly due to larger sales in the Gas Dept. For 9 mos. ended Sept. 30 gain in Electric Dept. was \$400,000 over 1913, while gas increased \$424,000. Reduction in operating expenses was almost entirely in electric Dept. owing to completion of new hydro-electric generating station. Rumors of div. on common stock believed to be unfounded as they cannot be paid according to agreement with bankers while any of the present 1 yr. notes are outstanding. The notes mature next summer, but Co. has applied to Cal. railroad commission for authority to issue \$4,000,000 more notes to mature Dec. 15, 1915.

Philadelphia Co.—QUARTERLY DIVIDEND of $1\frac{1}{4}$ % on common stock was declared in scrip payable at option of Co. on or before Feb. 1, 1918, and bearing 7%. This is second scrip div. Official says that directors wish to conserve income for improvement and betterment on sub-Co.'s this spring. Earnings are running less than last yr., but reduced operating expenses are permitting gains in net.

Republic Railway & Light.—BALANCE FOR COMMON 12 mos. ended Nov. 30 was 3.5%. Gro. earnings are less than last yr., but reduced operating costs and interest to charges permitted an increase in net income. Progress is being made in simplifying corporate organization by combining several subcos. Div. of $1\frac{1}{4}$ % on pfd. payable Jan. 15.

Twin City Rapid Transit.—SLIGHT DECREASE in earnings in recent months, but for 11 mos. ended Nov. 30 gain in gro. was 5.1% over previous yr. Operating costs, however, increased 7.5%, so that net gained only 2.7%. Outstanding stock is now \$22,000,000 having been increased \$1,900,000 during the yr. Earnings are at the rate of abt. 8%.

Western Union.—BIG EARNINGS have resulted from the war, cable business increasing 69% in 5 mos. from Aug. 1. However, land business has fallen off owing to industrial depression, so that total earnings for the yr. are likely to be abt. the same as 1913.

Public Utility Inquiries

United Gas & Improvement.

J. L.—We see no reason why United Gas & Improvement is not a reasonably safe investment. The company has no direct bonded debt of its own, and its net revenues run from three to four times the aggregate of the interest requirements on the bonds issued by the various sub-companies. This is one of the oldest public utility holding and managing companies, and its subsidiaries are well located and thoroughly established. Its principal business is supplying gas and electricity. It has added steadily to its surplus account, and has earned on the average about 13% on its stock for the last five years. At present prices this issue looks very attractive.

American Cities Preferred.

J. R.—American Cities preferred dividend is 6% cumulative. It is payable in January and July of each year. The January dividend has already been declared at the regular rate. Attention has been attracted by the fact that the 5% notes of this corporation due next April have been quoted as low as 90 during the recent closing of the markets. This has probably been due to some doubt in the minds of investors whether the company could successively extend or refund these notes under the troubled financial conditions which have prevailed. Officers of the company, however, feel confident that there will be no difficulty about arranging this financing when the time comes. The earnings of the various sub-companies of the American Cities are substantially the same as last year, and the declaration of the regular preferred dividend shows that the officers feel confident as to the future.

We would not advise any investor to put more than 20% of his surplus into American Cities preferred. We believe the stock is a reasonably safe investment, but in view of the narrow margin between its dividend and its earnings, we think it would be wise to place only a part of your money in it.

Am. Gas & Electric.

The dividend record of American Gas & Electric common is as follows: 1% July 1, 1910—1½% quarterly from then to April 1, 1913, when 2% was paid, placing the stock on an 8% basis. In July, 1914, a 2% stock dividend was declared in addition to the usual 2% quarterly dividend, and another 2% extra stock dividend was declared in December. For the year ended April 30, 1914, the balance for the common stock was equal to 16.8%. Earnings for the three preceding years averaged about the same.

American Public Utilities.

A. J.—The American Public Utilities Company, of Grand Rapids, Mich., owns gas, electric and power companies in more than a

dozen widely scattered localities, and serves a population of approximately 600,000.

This company was incorporated in 1912, and for the year ending June 30, 1913, earned 7.6% on its common stock; 1914, 4.7%. The common stock paid ¼% quarterly beginning July, 1912, and in 1913; ¾% in January, April and July, 1914, but passed the dividend due in October, 1914.

The company has important construction work in progress at Indianapolis calling for large expenditures, and this in connection with the uncertainties resulting from the war caused the passing of the dividend. The preferred stock pays 6%, and the prospects of the company appear to be good.

Cities Service.

W. B.—Cities Service Company is one of the most important of the public utilities holding companies. It was incorporated in 1910, organized and managed by H. L. Doherty & Company, of New York, and has acquired various properties having a gross revenue for 1913 of more than \$17,000,000, and net earnings are said to be more than two and a half times the total interest charges on bonds and other indebtedness. In April, 1914, the stock was increased from \$30,000,000 preferred and \$20,000,000 common, to \$40,000,000 preferred and \$25,000,000 common. Both preferred and common have been paying 6%, but dividends were suspended August 1 owing to the uncertain condition of financial and commercial markets as a result of the war. Earnings have increased rapidly owing to the extension of the company, and for twelve months ending July 31 the surplus for the common stock equaled about 11.7% against 10.2% the previous year.

The dividend on the preferred is cumulative, and it seems probable that it may be paid in full later when business revives. The company's methods of financing its rapid extension have been bold—some think rather too bold. For example, its recent purchase of the St. Joseph Railway, Light, Heat & Power Company is being financed in part by stock trust certificates which will cost the company over 8% on the money.

However, Cities Service has gathered in a valuable collection of utilities companies, and unless prolonged business depression should seriously decrease the earnings of its subsidiaries, the parent company should have no difficulty in maintaining dividends on the preferred stock.

Investments in Public Utilities and How Held. An illuminating and instructive address by W. H. Gardner, expert in public utilities, before the Finance Forum, New York Y. M. C. A., as part of the Utilities Course. A wealth of information and illustration about utilities securities.

Mining, Oil and Curb Securities

Interest Centers on Goldfield



ACTIVITY such as Nevada has not seen since 1907 now draws mining interest to Goldfield. Deep levels of the Jumbo Extension continue to open up ore of a good grade and some rich seams have been found in prospecting new ground in this mine. Its December production is estimated at \$100,000. This situation gives the management a bright outlook, but, as little pay rock is developed ahead, the property remains in the class of extremely risky speculations. The mother mine of the camp, Goldfield Consolidated, reports satisfactory progress; the 500 stamp mill upon its newly purchased Aurora property is running smoothly on \$5 rock. Pay ore is reported in the Atlanta, which property is, from an engineering point of view, a mere prospect.

Tonopah suffers under the depreciation of silver; much of that metal being produced here is stored. Gold contents of ores from this district run about 30 per cent. of the total value and do not alone meet operating expenses. The Tonopah Belmont Development Co. is remodeling its cyanide mill at Millers, Nev., which is meantime running at half capacity. The company is also developing under option and bond a large, medium-grade gold

property in British Columbia. Shareholders in the Mizpah Extension have ratified the lease and option to the Tonopah Mining Co. The Tonopah Extension Mining Co.'s ore reserves are now greater than they have ever been before. These three mines offer a fair opportunity to the speculator who can afford to wait for higher silver prices.

At Cobalt progress is being made as fast as climatic and financial conditions permit, which, however, is slow. At the same time, the draining of Kerr Lake to permit prospecting of its surface (work now stopped by cold) is an example of projects which will maintain this camp among the list of producers for a long time to come, notwithstanding perennial rumors, presumably put out to bear this market, that the mines are going down hill. Here, too, silver quotations are a governing factor.

The low-grade, large ore-body copper producers remain the most attractive opportunity to the conservative mining investor. Chino and Utah in particular have demonstrated ability to deliver the metal at a very low cost in spite of reduced volume of output. It may be considered as a stock market certainty that the shares of all well developed mines of this class will improve as soon as business conditions return to normal and permit the world's natural demand for copper to assert itself.

Mining Notes

Alaska Gold.—STOCKHOLDERS meet Jan. 21 for authorizing an issue of \$1,500,000 10-yr. 6% gold debentures, convertible into Alaska Gold stock at \$30 per share. A holder of 50 shares will have the right to take \$100 of bonds. Proceeds of bonds to be used for construction which has exceeded estimates. When bonds are converted, outstanding shares will be increased from 750,000 to 800,000 shares. After providing for payment in full for property, Co. raised \$4,500,000 cash, which has all been expended in development and construction. Milling 8,000 tons a day should provide profits of abt. \$2,700,000 per annum, or \$3.40 per share, with all bonds converted. Alaska Gold "rights" sold at from 15 to 23c. It takes 500 rights to secure \$1,000 in new bonds; a price of 23c. for rights means 111½ for the bonds. The proposed bonds, taken at 111½, are selling relatively higher than the stock, which must advance 6½ points before the bondholder could convert them without loss.

Anaconda.—DECLARED quarterly div. of 25c., same as 3 mos. ago, when it was reduced from 75c. New construction work

costing \$5,000,000 will increase production 50,000,000 lbs. yrly. from what has heretofore been classed as waste product. Arrangement for cost already made. Dec. production was 900,000 lbs. below Nov., and shows limiting production to 50% of capacity. Anaconda entered refining field in 1914, through acquisition of International Smelting & Refining Co., the Tooele smelter, and lead refinery in Chicago. With its Raritan capacity of 400,000,000 lbs. annually, Co. will have a refining capacity of 520,000,000 lbs. a year.

Braden.—NEW LOW RECORD copper costs, having lowered same to abt. 7½c. at the mine. Greatly improved extraction from mill operations was cause of low cost. Production has not been curtailed. Until war broke out all of the product was shipped to Europe. Now some diverted to the U. S.

Butte & Superior.—CASH IN TREASURY now between \$850,000 and \$1,000,000. High prices for spelter have increased earning capacity. On existing quotations Co. should make abt. \$200,000 net monthly. Stocks of spelter in U. S. now much less

than June 30. Co. was earning at rate of \$275,000 monthly with spelter at 5.65c.; at pres. price of 6c. earnings are abt. \$300,000 monthly or more than \$1 per share a mo. on the 271,200 shares outstanding.

Calumet & Arizona.—HAS OPERATED at 50% capacity for past 5 mos. Officials estimate 1914 production at 52,770,000 lbs. of refined copper, which compares with 53,100,000 lbs., the high record made in 1912.

Calumet & Hecla.—LARGE TONNAGE of copper stored at the Lake, estimated at fully 18,000,000 lbs., prior to closing of navigation.

Chino.—PRODUCED 3,047,694 lbs. of copper in Nov., comparing with 3,060,000 lbs. in Oct. and 2,957,704 lbs. in Sept. Production last 3 mos. has been at rate of 36,000,000 lbs. yrly. Operating at full capacity, it could readily produce 75,000,000 lbs. a yr.

Copper Range.—WILL SELL COPPER through its own sales office instead of through United Metals Selling Co. Amalgamated agency loses handling of nearly 40,000,000 lbs. of copper per an. Heretofore it has cost Copper Range \$55,000 or \$60,000 a yr. to market its metal.

Goldfield Consol.—NET PROFITS from 1914 operations \$1,829,000. Co. last yr. declared one div. of 30c. a share.

Granby Cons.—COST OF PRODUCTION last mo. established a new low record at 8c. Before end of current fiscal period, management looks for cost of 7½c. No thought has been given to resumption of divs. Output for 1914 abt. 23,000,000 lbs.

Inspiration Con.—DEVELOPMENT and construction have cost \$6,600,000. Funds already provided will complete development work and put Co. on an operating basis during 1st quarter of new year. Of \$4,500,000 convertible bonds offered stockholders, \$1,697,600 were taken by them, and balance, \$2,802,400, by underwriters, J. P. Morgan & Co.

Kerr Lake.—DECLARED regular quarterly div. of 25c., payable March 15 to stock of record March 1.

La Rose.—DECLARED a regular quarterly dividend of 2½%, payable Jan. 20 to stock of record Dec. 31.

Miami.—PRODUCED abt. 30,000,000 lbs. of copper during 1914. Production now abt. 1,500,000 per mo. Average cost slightly less than 9c. a lb. Against recovery of 31 lbs. per ton of ore in 1913, Co. has been extracting abt. 33 lbs. of late. Co. has passed 2 divs. since the depression. Co. had resources to pay a div., although amt. was not fully earned during the quarter.

Mohawk Mining.—OPERATIONS in 1914 resulted in net earnings of abt. \$4 per share, against which \$2 was paid to stockholders. The copper cost abt. 9c. a lb., a new low record for this property.

Nipissing.—DECLARED regular quarterly div. of 5%. Estimated net profits for Nov. were \$115,354, against \$123,009 in Oct. For past few mos. Co. has been shipping all its bullion to England, where a better market has been found than in N. Y. British purchases go almost entirely into coinage and for transshipment to India, where silver passes in trade payments.

North Butte.—SEC. KENNEDY says: "There is no foundation for the report that Co. is negotiating for purchase of East Butte properties." Directors decided not to pay div. for current quarter. This is second div. omitted, last payment having been 50c. per share on July 25, 1914. Strike of very rich ore on the 2,800-ft. level on "Speculator" vein, according to reports, runs 10% copper. Balance of mine development is disclosing ore of good average grade.

Ray Consol.—PRODUCTION of 3,196,457 lbs. of copper in Nov., against 3,180,000 lbs. in Sept. and 3,278,348 lbs. in Oct. Under curtailment, Co. is producing at rate of 38,500,000 lbs. yrly.

Shattuck-Arizona.—CUT ITS PRODUCTION 50% early in Aug. and suspended shipments entirely on Oct. 23, yet output this yr. 10,800,000 lbs. of copper, against 13,200,000 lbs. for 1913. Co. could easily have produced 15,000,000 lbs. this yr. Ore carries high precious metal values, some \$2 in gold and 25 ozs. of silver to the ton, with copper content as high as 6% and 8%.

Stewart.—NET EARNINGS in Nov. \$87,300 against \$82,500 in Oct. In Aug. and Sept., when the lead market was depressed, earnings fell to around \$70,000 a month. Divs. of 20c. a share were paid in Dec., bringing total disbursement up to 90c. a share since beginning of div. payments in June, 1912.

Utah Copper-Nevada Cons.—UTAH PRODUCED 6,668,049 lbs. of copper in Nov., which compares with 6,765,396 lbs. in Oct. and 6,672,194 in Sept. Output last 3 mos. at rate of 80,000,000 lbs. yrly. Operating full Utah could now produce between 150,000,000 and 160,000,000 lbs. of copper a yr. Nevada reports a production of 2,612,071 lbs. of copper in Nov. Before curtailment began this Co. was producing at the rate of 5,000,000 lbs. monthly.

Wolverine.—A RECOVERY of 1943 lbs. of fine copper per ton of rock was secured in Nov. Production was 589,182 lbs., against 603,782 lbs. in Oct. While Co. was destined to suffer from constantly decreasing rock values, not until 1912 did the recovery for a single month get below 20 lbs. It is understood the management figures out a life of abt. 7 yrs. under existing operating conditions.

Yukon Gold.—STOCKHOLDERS voted to cancel unissued \$7,500,000 stock. There is therefore outstanding and authorized \$17,500,000 stock.

The Oil Industry

By M. J. O'SHAUGHNESSY

[This series of articles covers in condensed form the entire present status of the oil industry in America. The information contained in them is invaluable to those interested in oil and oil stocks.—The Editors.]

II—Exports—Prices—Distribution



HERE is every indication of a continuance of the vast expansion in the exportation of domestic mineral oils. The volume of the exportations of crude oil and its products increased 137 per cent. in the ten years ending with 1913, as shown in the table on this page.

PRICES.

The decline in prices of crude petroleum in the Pennsylvania field from \$2.50 to \$1.75 during June, 1914, and of Mid-Continent from \$1.05 to \$.75 during the same period, seems to have been seized upon by the public as a bear factor in oil stocks. The fact is that the average price in Pennsylvania during 1911 was \$1.30 a barrel and in 1912, \$1.59 a barrel. In the Mid-Continent field during the same years, the average price was \$.47 and \$.67 a barrel. During both these years the producers of crude petroleum made big profits.

The profits of the oil industry can hardly be menaced under the present prices, so much higher than those during the years 1911 and 1912.

The reduction in price of Pennsylvania and Mid-Continent oil has been occasioned by the phenomenal increased

production of high grade oil in Oklahoma in the Cushing field.

It should also be borne in mind that every reduction in price of crude oil means greater profit to refiners, as the demand for the refined products prevents their declining in proportion as the crude oil may fall off.

TRANSPORTATION.

The transportation phase of the oil industry is a very interesting one. The crude product is almost entirely transported, from the fields where it is produced, to large refining centers, through pipe lines. These great arteries extend from Oklahoma south to the Gulf, and east through Indiana, Illinois, Ohio, Kentucky, West Virginia, Pennsylvania and New York State, to the eastern seaboard.

In June, 1914, the United States Supreme Court sustained the constitutionality of the law previously passed by Congress making these pipe lines common carriers, subject to regulation by the Interstate Commerce Commission. What effect this decision will have on the earnings of the pipe line companies, or what advantage it may be to producers, will not be known for some time.

There are over 75,000 miles of trunk

Growth of Exports in Ten Years.

Years ended December 31:

	1913		1903		Changes
	P. C. of total refined oils	Quantity and value	P. C. of total refined oils	Quantity and value	
Illuminating (gallons)	58.2	1,117,996,475	85.4	691,837,234	Inc. 61.6%
Lubricating and heavy paraffin (gals.) ..	10.7	205,825,151	11.6	95,621,941	Inc. 115.3%
Naphthas, including all lighter products of distillation (gallons)	9.2	176,878,845	1.8	12,973,153	Inc. 1263.5%
Residuum (gallons)	21.8	420,467,121	1.2	9,753,240	Inc. 4211.1%
Total of refined oils (gallons)	100.0	1,921,167,592	100.0	810,185,568	Inc. 137.1%
Value of refined oils		\$138,972,420		\$65,846,403	Inc. 111.1%
Average export value per gallon all refined oils		7.6 cents		8.1 cents	

pipe lines and "feeders" in the United States.

Transportation by water is in tank steamers. The year 1914 will ever be memorable in the history of the oil industry for the enormous increase in carrying capacity at sea being provided by English and Continental shipbuilders.

GEOGRAPHICAL.

The grand divisions of the oil producing territory in the United States are: The Appalachian field, including New York, Pennsylvania, West Virginia and Kentucky; the Lima-Indiana field, including Ohio and Indiana; the Illinois field; Mid-Continent field, including Kansas and Oklahoma; California field and the Texas-Louisiana field.

Production is decreasing in the Appalachian, Lima and Illinois fields, and increasing in the Mid-Continent, Texas-Louisiana and California fields.

The most interesting sections of the oil territory of the world, from a standpoint of new development or increasing production, are as follows: In Russia, the Maikop field is again being aggressively developed, the North Caspian promises well, and the Ural Providence is expected to figure largely in production in the near future. The English Government has become largely interested in production in Persia. Roumanian fields show increased production. The French are developing a field in Algiers and the English, in Egypt.

Discovery of high grade oil is reported in western Canada.

The Standard Oil Company of New York has secured a concession from the Chinese Government for exclusive drilling rights in a province that bids fair to develop into a big producing field.

The Island of Timor, off the Chinese coast, is likely to develop an important field.

The Germans are prospecting for oil in their African colonies. A field is likely to be developed in Colombia.

In the United States a very important field has been developed in the last two years near Casper, Wyoming. The oil is of high gravity and rich in paraffine. French and Colorado people in the Mid-West Company have developed large production and built a large refinery. The

Standard of Indiana also operates a refinery at Casper. There are several fields in other parts of the State that look very promising.

A new field has been brought in in Sullivan County, Indiana, and several in Louisiana and Texas, but by far the most interesting developments are in Oklahoma.

OKLAHOMA.

Oklahoma produces a light oil of a grade equal to that of the Illinois field and not very much inferior to the average Pennsylvania product.

The production in 1913 was 62,500,000 barrels, an average daily production of 185,000 barrels. There are 39 refineries in the field, 37 of which are independent and handle about 25 per cent. of the production.

This territory is served by three pipe lines, two to the Gulf coast and the other to the Atlantic seaboard.

During May, 1914, the discovery of the Bartlesville deep sand, in the Cushing field, which six months ago was considered dead, has brought about a very interesting situation.

The Cushing field contains about 30,000 acres; one-half of this area has been proven productive in the Bartlesville sand. It is said that the present production of this field (June, 1914) is 120,000 barrels per day, an increase of 100,000 barrels over the daily average three months ago, and that it could be increased to 150,000 barrels per day within a short time. The pipe line and storage capacity are inadequate to take care of this enormous increase in production. By agreement among operators the sinking of new wells has been discontinued for a time, and the pipe line companies are readjusting their plans in such a way as to enable them to take care of the present production in a short time.

This discovery in the Cushing field doubtless places Oklahoma as the greatest producer of light oil in the world.

CALIFORNIA.

The United States produces about 65 per cent. of the petroleum of the world, and California about two-fifths of the United States' production, or one-fourth of the world's output.

One-quarter of California's production

is suitable for refining, and three-quarters is used for fuel.

In 1913, consumption just about equalled the magnificent production of 98,000,000 barrels in the California field, valued at about \$50,000,000. There are about 6,500 producing wells in the field.

In 1910, the United States Geological Survey estimated the life of the California field at a minimum of 45 years and a maximum of 80, at an annual production of 100,000,000 barrels.

The industry in this State is practically dominated by the Standard, Royal-Dutch Shell, the Associated Company, and an English group of capitalists, identified with shipping and ship-building, who have recently bought control of the Union Oil and General Petroleum Companies. The pipe line and refining capacity are equal to production and demand, and the industry is highly prosperous.

"California oil companies paid \$13,000,000 in dividends in 1913. Oil is the State's most important industry, representing a total investment of \$300,000,000. The smallness of the dividend yield to the invested capital is due to a variety of circumstances, although largely to the necessity of employing profits to keep pace with necessary business expansion. The Standard Oil Company, California, for instance, recently valued its net assets at \$75,000,000 and paid only \$4,500,000 in dividends last year or in the ratio of 6 per cent. to capital investment, while its actual earnings were 42.9 per cent." By holding down dividends to a small distribution, cash capital rapidly piles up in the oil industry.

It will not be long before oil companies may declare dividends at many times present rates and still keep pace with the expansion of the industry.

MEXICO.

The great Mexican oil field comprises 17,000 square miles lying along the eastern coast from Vera Cruz to Tampico.

About \$200,000,000 has been so far expended in development and in building pipe lines, refineries, etc., about one-half by Americans.

There are 550 wells producing. The great development of this region has been within the last two years. It is likely

that Mexico may, within a very few years, add 150,000,000 barrels per annum of oil to the world's production, almost entirely fuel oil.

The production in 1913 was 23,000,000 barrels, compared with 1,000,000 barrels in 1907.

The oil will sell, under normal conditions, for about 40 cents per barrel.

The world's greatest gushers have been brought in in Mexico. The average gravity of the oil is about 14 degrees Baume and is consequently of fuel grade. Refining is not carried beyond the first steps of the process.

The Dos Bocas, the first great gusher brought in, started to flow at the rate of 10,000 barrels per hour, got beyond control, and burned for fifty-eight days.

The Pertrero del Llano (Mexican Eagle) came in at the rate of 125,000 barrels per day and is now controlled down to 25,000 barrels per day.

The Juan Casiano (Mexican Petroleum) came in at the rate of 75,000 barrels per day and is now controlled down to 25,000 barrels per day.

La Corona (Shell) gusher, in the Panuco field, has shown a record of 4,000 barrels per hour.

There are many other wells flowing from 5,000 to 25,000 barrels per day throughout the field.

At the present time there are about 425 miles of 8-inch pipe line laid down and 50 miles building, 86 miles of private railway operated and 35 miles building.

Most of the important oil interests are operating in the field.

The Mexican Eagle Company (Cowdray interest), with 500,000 acres, 200 miles of pipe line, storage capacity of 2,000,000 barrels, producing 100,000 barrels per day with refining capacity of 60,000 barrels per day, has twenty tank steamers with a capacity of 2,000,000 gallons per voyage.

The Mexican Petroleum, with 600,000 acres, 132 miles pipe line, 8,000,000 barrels storage, and producing 70,000 barrels per day, has four tank steamers.

The Standard Oil of New York is building a large refinery at Tampico.

The Penn-Mex Company (South

Penn), with 160,000 acres producing 30,000 barrels per day, are building pipe lines, etc.

The Pierce Oil Corporation owns extensive acreage, and operates a 6,000 barrel refinery at Tampico.

Other important interests include: The Texas Company, Royal-Dutch Shell, Gulf Oil Corporation, etc.

STANDARD OIL COMPANY.

Even a pamphlet on the Petroleum industry would not be complete without reference to the "Standard Oil," the "Octopus" that has engaged the attention of our economists, law makers, demagogues and politicians for thirty years.

The Standard Oil Company was organized in 1870 under the laws of Ohio, with a capital stock of \$1,000,000, which took over the refining and selling business, established in the late 60's by John D. Rockefeller, William Rockefeller, Adams, Flagler and Harkness. In 1872, the capital was increased to \$2,500,000, and in 1873, to \$3,500,000.

In 1882, the Standard Oil Trust was formed. All the properties at that time owned by the Standard Oil Company were transferred to companies organized in each State, which owned and operated the properties in that State. The entire capital stock of all of these companies was held by trustees and Standard Oil Trust Certificates were issued against them. This trust agreement was shortly afterwards held to be illegal by the courts in Ohio, and the certificate-holders voted to dissolve the trusts. This dissolution was only nominal, the business being conducted by the same officers and in the same manner as heretofore. In 1899, all the trust certificates were exchanged for common stock of the Standard Oil Company of New Jersey, which had a capital of \$100,000,000 of common stock and \$10,000,000 of preferred stock, which latter was shortly thereafter retired.

In 1906, a suit was brought by the United States to dissolve the Standard Oil Company of New Jersey, and a decree was finally obtained effecting this dissolution in November, 1911, and the stocks of the thirty-four subsidiary companies were distributed pro rata to the

shareholders of the Standard Oil Company of New Jersey.

The shares of the Standard Oil Company of New Jersey, at the time of the dissolution, were selling in the market at \$600 per share, indicating a market valuation of \$600,000,000 for the properties and business of the company.

The combined capital stock of the thirty-four subsidiary companies in June, 1914, amounted to \$469,000,000, selling in the market at prices which indicate a market value of the same properties of \$1,499,000,000, which is equivalent to \$1,500 per share, for the old stock. Twenty-six of these companies have paid quarterly and semi-annual dividends, during the first half of 1914, of \$34,334,822; four will distribute their earnings at the end of the year, and four are accumulating their earnings and are not paying dividends at this time.

The management of the old company was extremely conservative, and partly from this cause, and possibly to hide from the public the enormous earning power of the company, a large proportion of the profits of the various subsidiary companies was put back into the business and the assets, thus created, carried on the books at nominal figures.

After dissolution, the disproportion between the capitalization of the various subsidiary companies, and their assets, became apparent, and an adjustment has been made in many of these companies by increasing their capital stock, which has been distributed to shareholders in the shape of stock dividends.

The dissolution of the Standard Oil Company is a reality and not a subterfuge as was the case with the early dissolution of the Ohio company. Sanely regulated competition is evident.

The world-wide expansion of the oil business dates from the carrying out of the dissolution decree.

The understudies of the master minds who conceived and built up the Standard Oil, now relieved of the repelling caution of their former superiors, are aggressively developing the companies in which they are financially interested, and are managing them each in wholesome competition with other members of the broken-up family.

(The End.)



SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Choosing a Broker

By H. H. LAKE

NEW traders are apt to be influenced by their brokers. Naturally they encounter a great many situations where they feel the depth of their ignorance, where they turn to others for help, and appealing to the most convenient source they are usually supplied with what chance-formed opinion the broker can conjure up. The broker does not know what is in the mind of any one particular client, does not know his case or needs, and often is not capable or patient enough to analyze the situation, and so innocently misleads through auto-suggestion.

The mind is particularly susceptible to suggestion when preoccupied and wavering in uncertainty (as all good salesmen know), and often a chance remark sounds like the right thing and changes the recipient's course of action.

Bear in mind that the broker's lot is not an easy one. If, after some study and experience you realize a great many of your shortcomings and then begin to outline a set of principles to guide you which you determine never to violate, you eventually secure a degree of control which prevents you from doing the utterly foolish things you did in the beginning, and then when attempting to put them into practice you take the advice of a broker who has ideas of his own, but who knows nothing of your particular failings, and so break through a number of your principles or rules, you reap only disgust and discomfiture—for this you must not blame the broker, who sees results but knows not all the reasons which led you to your action.

I once had a broker who was a perpetual and perennial bull. A thoroughly honest prince of good fellows; when the market was rising his suggestions were invaluable. Many a time I had correctly judged the top of a move after taking the utmost pains to do so, consulting no one, and depending only on my own judgment and proved knowledge; then having put out a good line of shorts and after seeing the market start slowly my way a couple of points, I allowed myself to become infected with his excitement over the small profits I had in sight, and cashed in, mostly on account of his reiterated opinion that they had "reacted about far enough"—only to lose the main part of the move and the worth-while profits I had been so patiently gunning for, and which would have been mine had I stuck to my original judgment.

This was one of the hard and fast never-to-be-broken rules that I had preached into myself for years. But I was impressed and misled because in a rising market he had so often proved his judgment of the extent of reactions superior to mine, calling the turn to a hair's breadth.

Don't try to mix the water of your broker's advice with the oil of your plan. If you can reconcile the two, well and good, but, as a rule, don't even try.

Once a really efficient broker of an exceptionally intellectual type gets the lay of your mental makeup he can be of great assistance. I used to talk to one man who could give me in a two-minute casual conversation over the telephone an exact impression of what the market

had been doing, just as if I had been sitting over the ticker for the preceding hour, or even two or three. He knew what I was after and was careful not to say too much, repeat gossip, or intrude his own opinions while I was at the 'phone. The extent of moves, volumes, and chronological sequence of the market action, were deftly summarized and correctly transmitted. Such a man is as valuable as an auxiliary mind or second self, when one is forced to be away from the market, and I was often able to place orders correctly from his description of what a particular stock had been doing. He was, however, nearly always unsuccessful in his own trading, and anyone who had taken his advice would have found it expensive.

Try to keep an open mind, and separate anything you may hear from any

well-founded course of action previously determined upon. Don't blame the broker for offering advice or uttering homilies when you, in doubt, fear and trembling, seek his help, and don't blame him unless he in advising you has a full knowledge of what you want to do and how and why you are doing it. If you seek and accept another man's judgment upon a matter entirely your own, and fail, the fault primarily—even if only in your mistake in the selection of the other man—is your own.

Nevertheless it is well to discuss tentative plans with an experienced broker in advance of putting them into operation, for he can often punch them full of holes for you and point out traps you were unaware of, but which his mature experience had shown him were in existence.

Some Graphic Methods

By O. K. McG.

AMONG those who keep graphic records of price movements, two ways of diagramming prices of a stock selling ex-dividend prevail. The plan of moving up the horizontal price scale so as to compensate for the decline caused by the dividend coming off (see Fig. 1) has many adherents.

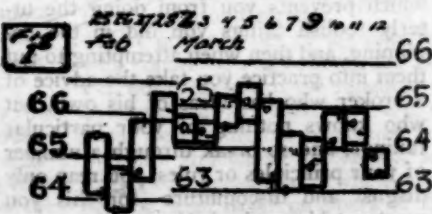
Others prefer to leave the scale undisturbed (Fig. 3) so as to show the decline as a decline. First, because they feel it gives the facts regarding the price movement of the stock. "The stock is lower on the tape. Why shouldn't it be lower on the graphic?" they inquire. Second, it obviates the necessity of changing the scale so as to allow for the fractional parts of the dividend. On cross-section paper such as some use for diagrams this is awkward and laborious. Third, because they claim it leaves the chart consistent and comparable as to high and low prices, trading areas, etc.

Figure 2 shows a method combining the two variant plans in a way that to me seems to possess all the advantages of each. The regular scale of the chart is left unchanged when the stock sells "ex."

A compensated scale is used mentally, however, and the day's range laid in with pencil. (See upper row of blocks in drawn dotted line, Fig. 2.) At the same time the actual range is plotted in ink below on the regular scale of the chart in the usual way. One can discontinue the compensated graphic after ten days or so—according to his estimate of when the effect of the dividend is to be disregarded—and later on the pencil marks can be erased, if desired.

If the stock recovers its dividend rap-

UNITED STATES STEEL



Scale compensated for Dividend
1 1/2% Mar. 2.

idly so as to run the pencil lines of the compensated scale in with the heavy ink lines of the true scale, it seems to me the pencil lines could well be discontinued. By this time the dividend is usually forgotten except by the "shorts" who have been charged with it.

It took me a long time to find drawing paper for block trend charts with a ruling that would require a minimum of re-drawing in order to fit it for a graphic record of stock market data. The form of ruling shown in Fig. 4 affords an excellent and comparatively inexpensive medium for chart work. It can be obtained ruled in light blue ink, sixteen fine lines to the inch, heavy lines every $\frac{1}{4}$ inch and extra heavy lines (which are of little advantage) every inch. A square inch gives a radius of four points price and eight days time.

Figure 5, sketch "A," shows a peculiar $\frac{1}{2}$ point line chart devised by a friend of mine. At first glance it looks like a "figure chart," but it is not. It simply substitutes a row of x's for the up-lines and o's for the down lines of the usual form of line chart shown in Sketch "C"—one "x" or one "o" for every $\frac{1}{4}$ point. The three forms of charts, Sketches "A," "B" and "C" cover the same price movement, the culmination of Steel Common on June 10, 1913. It is claimed for the type of register shown in "A" that the heavy blacks make it easier for a novice to read than type "C."

To some readers the points here discussed may seem unimportant, but my idea is that there is always a best method for doing whatever is to be done at all. Most experienced operators in the stock market keep graphic records in one form or another. It is certainly worth while to keep them in the best and most convenient form.

FIG. 2

COMBINATION METHOD

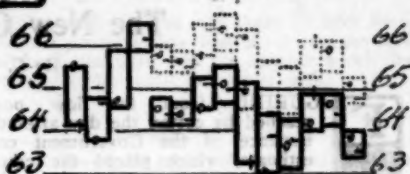
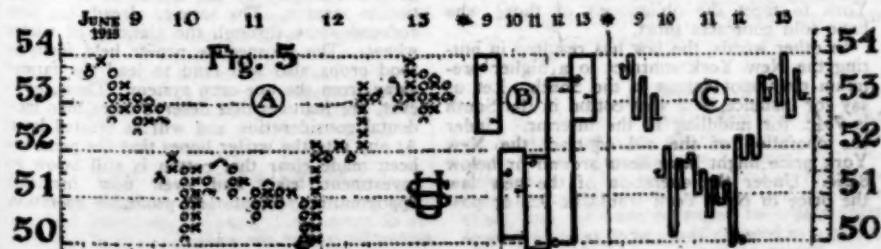
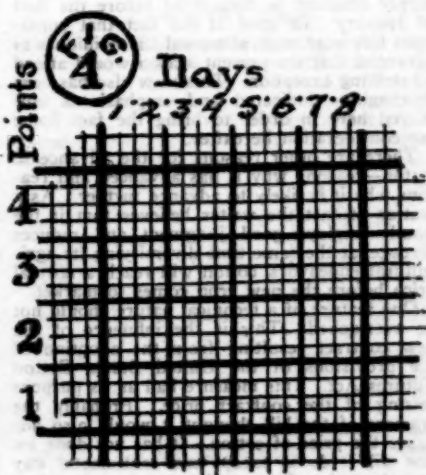
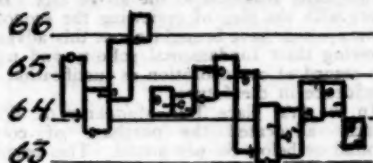


FIG. 3

TRUE SCALE

No compensation for Dividend



The New Cotton Contract

By C. T. REVERE

FIGURING from the low point reached by cotton the day after the issuance of the Government crop estimate, which placed the cotton yield at 15,966,000 bales, the market has had an advance of more than 1½c. per pound.

It is with no purpose of "pointing with pride" to the consistently bullish position taken by THE MAGAZINE OF WALL STREET that the writer calls attention to the above fact. It is more with the idea of reviewing the economic causes which have brought about this advance, showing their fundamental solidity and using the record of corroboration as justification for confidence in the future.

In the first place THE MAGAZINE OF WALL STREET advocated the purchase of cotton around or below 8c. per pound. This position has been thoroughly vindicated. Last month it was clearly pointed out that in practically every year for which there is any record, the supply situation is discounted before the first of January. In spite of the fact that conditions this year were abnormal the opinion was advanced that the present season would afford no striking exception. This view also has been thoroughly vindicated and emphasis is employed here in order to bring the fact home for consideration hereafter.

There are other reasons for the advance in cotton—reasons why it has advanced and reasons why it is likely to advance further. As a matter of fact the writer believes that if the South employs good judgment and reduces acreage, at the same time diversifying its agricultural endeavors, cotton will reach a normal price before the new crop comes to market.

One feature of a technical nature should not be overlooked. This is the influence of the new contract resulting from the adoption of the provisions of the United States Cotton Futures Act. This measure had as its purpose raising of the contract price. Probably the framers of the bill thought it would also advance the price of cotton. It has not done so, nor will it do so except in a sentimental way or through the medium of occasional "squeezes" or "corners" that may arise owing to the difficulty of shipping cotton to New York to meet the obligations of those who have sold contracts short.

In other words, the law has resulted in putting the New York contract to a higher premium over spot cotton in the South. Let us say for instance, that spot cotton in the South is 7¼c. for middling in the interior. Under the operation of the old contract the New York price might have been around or below 8.25c. Under the operation of the new law the price in New York would be 9c., or pos-

sibly a little higher. While there is a disagreement among experts, there is a general tendency to compromise on the view that the new contract calls for a premium of about 75 points or ¾c. per pound above the basis of the old contract. The new law, therefore, merely puts futures at a higher premium over spot cotton in the South, but does not lift the price of cotton.

Here is where many people may be very much misled by the quotations in the contract market: they have been educated to the belief that it costs about 9c. to grow cotton. When they see the October option in New York, for instance, around 9c. they immediately assume that cotton has reached the cost of production and is, therefore, not an investment purchase.

This is a mistake. The higher premium commanded by the new contract as well as the cost of getting cotton to New York should be taken into consideration and it is the opinion of the writer that a subtraction of at least 125 points, or 1¼c. per pound, should be made from the contract price to arrive at the farm price. Probably many persons of experience would make the subtraction even greater.

Figuring on this basis, therefore, a 9c. price in New York would be only 7.75c. in the South, which is far below the cost of production and thus gives a big leeway to the investment buyer.

It might be well to sketch briefly the reasons for the increased premiums over spot cotton and the old form of contract. These are found chiefly in the higher Government standard of grading, which calls for an increase of at least 35 points; the provision that the staple of the cotton delivered shall be at least ¾ inch in length, thus shutting out a great deal of short staple cotton which used to come here for delivery from the South Atlantic States. In addition to these, the single certificate system which gives the operator the right to withdraw a certain number of bales from a contract and replace these by a similar number of bales without insisting on recertification of the whole hundred bales, furnishes a strong point in favor of the new contract.

The ultimate course of the market will be governed largely by the extent of the reduction in acreage. The acreage already has been reduced some through the planting of winter wheat. The prospective profits held forth by food crops also will tend to lead the farmer away from the one-crop system. These, however, are features that deserve more than incidental consideration and will be treated later. At any rate the writer hopes that the point has been made clear that cotton is still below an investment basis and even now furnishes opportunities for safe and profitable operation.

Technical and Miscellaneous Inquiries

Origin of R. R. Traffic.

Referring to the table published on page 55 of your November, 1914, issue, showing the traffic originated by different railroads, we have occasion to use this material in a case before the Interstate Commerce Commission, and would greatly appreciate the courtesy if you will kindly advise us the sources from which the same were obtained.—W. & Co.

The table was compiled from the "Analyses of Railroads" published by H. H. Copeland & Son, 111 Broadway, New York City.

These are, as you are doubtless aware, standard statistical manuals, and the figures in them are compiled with great care. In order to be sure that the table as published in our magazine was entirely accurate, we have checked over the figures and find them to be correct.

Do They Make Money?

The question has repeatedly been asked me, does anyone ever make any money of any account and keep it, in stock speculation in listed securities? If so, what class of speculators can be said to be the most successful as a rule? I believe this is a matter of universal interest, and suggest that you touch on it in an early issue. It is my impression based on experience that the men who get nearest actual conditions are most successful, regardless of whether they devote 18 hours or 15 minutes daily to the subject. Let me hear from you.—E. I.

It is certainly a fact that a considerable number of persons make money in speculative investment in stocks, and a smaller number make money in active speculation. The most successful traders are those who have natural talent for the business, who make a thorough study of it, and make use of all sources of information. It requires considerable time and study in order to attain success as an active trader. The speculative investor, however, can succeed without devoting any excessive amount of time to the business. He can easily keep himself informed in his spare moments, and the soundness of his judgment will improve with experience. For example, American Can, Bethlehem Steel and Central Leather have recently been conspicuously strong in a market otherwise without special feature. Probably the majority of well informed investors have known perfectly well for at least a year that all three of these companies were in an especially strong position. No special genius was needed to see that these stocks were likely to be a profitable purchase when forced to low prices by outside conditions.

Cost of Carrying Cotton.

W. R.—Cotton must sell higher when the normal European demand for cotton is restored. In the meantime the holder of cotton futures will have to stand a small expense in

turning early futures into those of later date, but the probability is that these charges will be small compared with the advance which the price of cotton must eventually make.

Trading in Grain.

J. C. D.—As to grain market literature, this is comparatively limited; however, the principles underlying speculation in the grain markets are the same as those which govern trading upon the Stock Exchange.

It would be well for you to read the back volumes of this magazine and such books upon speculation as "Fourteen Methods of Trading in the Stock Market." You will find other books of this type, as well as a few on grain in our catalogue.

The Chicago *Evening Post* publishes a special grain market edition.

E. W. Wagner & Co., Board of Trade Bldg., Chicago, and Rensdorf, Lyon & Co., 33 New street, New York, send out pamphlets which would interest you.

Why We Blush.

I wish both you and your magazine a happy and prosperous New Year, with many more to come. I have not only read but studied and carefully preserved every issue from No. 1, Vol. 1, to date, and if I could not replace them I wouldn't take \$5,000 for my complete files. That's going some, but it's true.—C. E.

Why not make it a weekly? I am sure that every subscriber would be willing to put up his six dollars in place of three.—E. B.

If you are not careful you will make the magazine so interesting that we will have to have it even if we eat less!—T. B.

I have found the magazine very instructive, especially the articles on the science of trading.—R. M.

THE MAGAZINE OF WALL STREET is the most complete periodical of its class, and I read every issue through from cover to cover.—D. M.

Reading the magazine affords intense satisfaction. All the compliments of the season.—R. T.

I can't get along without it. It makes me some money.—R. T.

I have all the issues of your magazine from the first one—November, 1907—and each year sees an improvement in it.—F. B.

Charts.

F. W.—In our January issue you will note an advertisement of charts which we can furnish, which we presume will meet your requirements. Our own opinion is that this form of chart is superior to the one point line chart, and we have arranged to supply them in such form as to be readily placed in a binder of ordinary size as a permanent record.

Firms and Figures in Finance

Bull & Eldredge, investment bond brokers, announce the opening of an equipment bond department.

Charles E. Merrill & Co. announce that they have admitted to partnership Edward E. MacCrone, who has established in Detroit a branch of their business dealing in investment stocks and bonds.

C. H. Hensel, formerly with Fisk & Robinson, will make his headquarters with Moore, Leonard & Lewis and deal in bonds, Standard Oil stocks and unlisted securities.

James B. Mabon has been elected a member of the New York Stock Exchange's committee on business conduct, succeeding Donald G. Geddes, resigned.

A. E. Goodhart has been elected a member of the committee on insolvencies, succeeding Donald G. Geddes, resigned.

Smith & Feuchtwaenger is a new partnership, with offices at Denver, Col.

Knauth, Nachod & Kuhne, Percival Kuhne has retired.

G. H. Walker & Co., H. M. Kauffman has retired.

Lee, Higginson & Co., Frederick W. Allen has retired.

Muller, Schall & Co., Frederick Muller-Schall has been admitted, and Frederick Muller has retired.

Sidney Spitzer & Co., investment bankers, with home office in Toledo, Ohio, have opened offices in New York at No. 115 Broadway, in charge of L. B. Tucker. The firm also has offices in Chicago and Cincinnati, and deals exclusively in Municipal bonds. Mr. Spitzer was for many years a member of Spitzer & Co., established in 1871.

Ernest H. Cook has been appointed assistant secretary of the Union Trust Co., at its Plaza branch, corner Fifth avenue and 60th street.

H. L. Carpenter, formerly manager of Scully, Painter & Beech, is now with Per-pall, Shaskan & Droge, in charge of their unlisted securities department.

John Muir has been elected vice-president of the Harlem Board of Commerce.

The following Stock Exchange firms have opened new branch offices:

Chandler Bros. & Co., at Lakewood, N. J., under the management of Ferdinand S. Fetherson.

William W. Cohen, at Bridgeport, Conn., under management of J. H. Haven.

Seligsberg & Co., at 334 Fifth avenue, N. Y., under management of D. G. Jeffers.

The Wilsey-Fierlein Co., a new investment banking house, has been formed in Chicago. The firm will deal in investment securities. The members of the new firm were all formerly connected with H. M. Byllesby & Co., of Chicago.

Rollin P. Grant has been re-elected president of the Irving National Bank. It was incorrectly stated yesterday that he had been re-elected as vice-president.

Thatcher M. Brown has been elected a member of the New York Stock Exchange.

William L. Goff, formerly with White, Weld & Co., is now associated with L. M. Prince & Co., 20 Broad street.

Joseph B. Martindale, president of the Chemical National Bank, resigned as a director of the Bankers Trust Co. Herbert K. Twitchell, vice-president of the Chemical Bank, was elected to succeed him.

Market Statistics

		Dow Jones Averages		50 Stocks		Total Sales	Breadth (No. issues)
		12 Industrials	20 Railroads	High	Low		
Thursday, Dec.	17	75.89	90.88	61.78	61.40	76,500	94
Friday, "	18	75.60	90.87	61.87	60.87	224,900	111
Saturday, "	19	75.95	91.01	61.60	61.33	48,700	79
Monday, "	21	75.31	90.13	61.38	60.75	105,900	88
Tuesday, "	22	74.90	89.73	61.09	60.62	122,600	92
Wednesday, "	23	73.57	87.91	60.64	59.52	155,900	104
Thursday, "	24	73.48	87.40	59.61	58.97	108,000	104
Saturday, "	26	73.77	87.75	59.51	59.29	23,000	35
Monday, "	28	74.50	88.00	60.38	59.63	129,100	100
Tuesday, "	29	74.42	88.50	60.31	60.08	60,800	81
Wednesday, "	30	74.36	88.19	60.25	59.98	50,100	78
Thursday, "	31	74.73	88.53	60.34	60.07	73,300	93
Saturday, Jan.	2	74.65	88.46	60.19	60.07	25,300	86
Monday, "	4	75.53	89.63	60.86	60.25	132,200	112
Tuesday, "	5	75.87	89.95	61.18	60.61	148,000	122
Wednesday, "	6	75.69	89.43	61.16	60.63	128,100	116
Thursday, "	7	76.33	89.94	61.26	60.63	163,000	113
Friday, "	8	76.79	89.85	61.68	60.97	208,900	138
Saturday, "	9	76.87	89.85	61.56	61.26	64,900	135
Monday, "	11	76.87	89.95	62.44	61.44	209,300	135
Tuesday, "	12	77.30	90.83	62.39	61.98	171,700	144
Wednesday, "	13	77.54	90.58	62.18	61.77	130,900	125
Thursday, "	14	77.83	90.91	62.24	61.87	121,000	120
Friday, "	15	77.43	91.22	62.43	61.81	175,100	131
Saturday, "	16	77.17	91.28	62.61	62.30	99,600	119
Monday, "	18	77.75	92.00	63.14	62.42	258,300	164

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